

COST OF LIVING REPORT

DECEMBER 2017

ISSUE
18

Telecommunications

Tracking changes in the cost of living, particularly for vulnerable and disadvantaged Northern Territorians.



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.”

NTCOSS receives funding from the NT Government (Department of the Chief Minister).

NTCOSS Cost of Living Report - Issue No. 18, November 2017

First published in November 2017 by the Northern Territory Council of Social Service Inc.

2/5 Goyder Rd
Parap NT, 0820, Australia
(08) 8948 2665
Email: admin@ntcoss.org.au
Website: www.ntcoss.org.au

© Northern Territory Council of Social Service, 2017

This publication is copyright. Apart from fair dealing for the purpose of private study, research, criticism or review, as permitted under the Copyright Act, no part may be reproduced by any process without written permission. Enquiries should be addressed to the Executive Director, Northern Territory Council of Social Service Inc.

Introduction	2
SECTION 1 – Prices, Living Cost Indexes and Incomes	3
Price Movement in Goods and Services - Impact on Low income Households	3
COMMENT: PETROL PRICES UP AGAIN, AND OTHER PRICE RISES	4
Selected Living Cost Index (SLCI) for Income Support Recipients	5
HOW WELL ARE INCOME SUPPORT PAYMENTS KEEPING UP WITH COST OF LIVING CHANGES?	8
STRUGGLING ON NEWSTART AND YOUTH ALLOWANCE.....	10
WHO IS ON NEWSTART ALLOWANCE?	11
PENSION INDEXATION SYSTEM AND INADEQUACY OF INDEXATION FOR ALLOWANCE PAYMENTS.....	12
SECTION 2 – Telecommunications	13
TELECOMMUNICATIONS: SUMMARY OF KEY ISSUES	13
TELECOMMUNICATIONS: A CRITICAL EXPENDITURE AREA	15
2015/16 HOUSEHOLD EXPENDITURE SURVEY (HES) - TELECOMMUNICATIONS EXPENDITURE	17
THE SHIFT TO ONLINE AND DIGITAL SERVICES	21
THE REGRESSIVE NATURE OF TELECOMMUNICATIONS EXPENDITURE	22
TELECOMMUNICATIONS PRICE CHANGES	25
INCREASE IN USE OF TELECOMMUNICATIONS (AS PRICES HAVE DECREASED)	26
CHANGES IN TELECOMMUNICATIONS EXPENDITURE IN REAL TERMS (CONSTANT DOLLARS).....	27
AFFORDABILITY OF TELECOMMUNICATIONS SERVICES.....	28
PRE-PAID PLANS AND POVERTY PREMIUMS	29
THE AUSTRALIAN DIGITAL INCLUSION INDEX (ADII).....	31
AFFORDABILITY IN THE NT	34
PARTICULAR GROUPS IN THE POPULATION FACING DIGITAL EXCLUSION	35
AUSTRALIAN HOUSEHOLDS WITHOUT HOME INTERNET ACCESS	38
STRUCTURES AND FEATURES OF TELECOMMUNICATIONS SERVICES	39
THE INADEQUACY OF THE CENTRELINK TELEPHONE ALLOWANCE	40
LIMITING OR CEASING TO USE TELECOMMUNICATION SERVICES – ‘HIDDEN DISCONNECTIONS’.....	42
THE IMPLICATIONS OF REDUCING USAGE FOR LOW INCOME HOUSEHOLDS.....	43
BILL SHOCK AND ACCRUAL OF DEBTS	43
DIFFICULTY NEGOTIATION THE MYRIAD OF CHOICES OF TELECOMMUNICATION SERVICES AND PLANS.....	44
THE NEED TO INCREASE THE AFFORDABILITY OF INTERNET SERVICES	44
PROTECTIONS FOR CONSUMERS OF TELECOMMUNICATIONS SERVICES.....	44
TELSTRA UNIVERSAL SERVICES OBLIGATION	45
RECOMMENDATIONS	47
APPENDICES	48
Appendix A: CPI Changes, Expenditure Type Darwin vs National – over the past quarter and past year	48
EXPLANATORY NOTES	49
1. CPI AND LIVING COST INDEXES	49
2. LIMITATIONS OF THE SELECTED LIVING COST INDEXES.....	49
3. PENSION AND NEWSTART (AND FAMILY TAX BENEFIT) CALCULATIONS FOR FIGURES 1 AND 2	51
4. HOW PENSION RATES ARE ADJUSTED.....	51
5. THE CPI AND TELECOMMUNICATIONS	51
6. CONVERSION OF HISTORICAL HOUSEHOLD EXPENDITURE FIGURES INTO CONSTANT DOLLARS	52
7. THE AUSTRALIAN DIGITAL INCLUSION INDEX (ADII)	53
8. THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION (ACCC) DATA.....	54
9. CALCULATIONS USED FOR WEEKLY PAYMENT RATES	54
REFERENCES	55

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 low income, vulnerable and disadvantaged Territorians.

The first section of the 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 its Cost of Living Reports.

The first section of the report also examines the Selected Living Cost Index (SLCI), which is calculated 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 2017a). 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).

The second section of the NTCOSS *Cost of Living Report* contains a more in-depth analysis of cost of living trends in one key area of concern in relation to cost of living pressures on low income, vulnerable and disadvantaged Northern Territory households. The particular focus of this report is on the cost of telecommunications and uses 2015-16 ABS Household Expenditure Survey Data and September 2017 ABS CPI figures for Darwin, comparing these with national and State/Territory figures. This section of the report also draws on data from the Australian Digital Inclusion Index (ADII), the Australian Competition and Consumer Commission (ACCC), joint research done by the South Australian Council of Social Service (SACOSS) and the Australian Communications and Consumer Action Network (ACCAN), and the Australian Competition and Consumer Commission 2017 (ACCC).

SECTION 1 – Prices, Living Cost Indexes and Incomes

Price Movement in Goods and Services - Impact on Low income Households

Table 1a: Changes in CPI (All groups) over past year (ending Sept 2017)

Darwin vs National Figures

Darwin ↑ 0.6% vs Australia ↑ 0.6% (in last quarter - to Sept 2017)
Darwin ↑ 0.6% vs Australia ↑ 1.8% (over past year - to Sept 2017)

Source: ABS 2017d Data 5,6 and ABS 2017e Data 5, 6

Table 1b: Movement in CPI categories: Darwin vs National over the past year (to Sept 2017)

Increases in Darwin over past 12 months	Decrease in Darwin over past 12 months
Automotive fuel[^] ↑ 10.1% vs Australia ↑ 7.5%	Fruit ↓ 9.5% vs Australia ↓ 10.3%
Medical & Hospital Services[^] ↑ 5.3% vs Australia ↑ 5.4%	Audio, visual and computing equipment[^] ↓ 9.3% vs Australia ↓ 7.0%
Gas and other household fuels ↑ 5.0% vs Australia ↑ 8.2%	Rent ↓ 6.8% vs Australia ↑ 0.5%
Transport ↑ 4.4% vs Australia ↑ 2.7%	Vegetables ↓ 6.2% vs Australia ↓ 6.5%
Health ↑ 3.6% vs Australia ↑ 3.9%	Telecommunication & equipment & services ↓ 3.8 vs Australia ↓ 3.2%
Education ↑ 2.7% vs Australia ↑ 3.1%	Audio, visual and computing equipment & services ↓ 2.6 % vs Australia ↑ 2.8%
Insurance ↑ 2.0% vs Australia ↑ 3.7%	
Alcohol & Tobacco ↑ 5.1% vs Australia ↑ 7.0%	

Source: ABS 2017e Data 4, 5, 6

[^]Note:

Automotive fuel is a sub-category of the **Transport** CPI Category

Hospital and medical services is a sub category of the Medical Dental and hospital services CPI sub-category, which is a sub-category of the **Health** CPI category

Audio, visual and computing equipment is a sub category of Audio, visual and computing equipment & services (which is a sub category of **Recreation and Culture** CPI category)

Table 1c: Significant changes in CPI categories Darwin vs National over past quarter (to Sept 2017)

Increases in Darwin over past 3 months	Decreases in Darwin over past 3 months
<p>Gas and other household fuels</p> <p>↑ 4.2% vs Australia ↑ 5.2%</p>	<p>Vegetables</p> <p>↓ 9.2% vs Australia ↓ -10.9%</p>
<p>Recreation and Culture</p> <p>↑ 3.0% vs Australia ↑ 1.3%</p>	<p>Audio, visual and computing equipment</p> <p>↓ 3.8% vs Australia ↓ 1.8%</p>
<p>Fruit</p> <p>↑ 2.7% vs Australia ↓ 0.8%</p>	<p>Rents</p> <p>↓ 1.9% vs Australia ↑ 0.2%</p>

Source: ABS 2017d Data 4, 5, 6

Note major CPI categories are displayed in bold; with the sub-categories not in bold. See Appendix A for list of all CPI Categories, showing price movement in the NT and Australia for the past quarter and past year

Comment: Petrol prices up again, and other price rises

Darwin has again seen low growth in the overall CPI over the past 12 months (0.6%) and well under the national rate of growth (1.8%) (see Table 1a), however not all Territorian households are enjoying the benefits. It is important to take into consideration that the CPI-All Groups figure represents an average figure, which is affected by changes both up and down amongst the 11 major CPI sub-categories which together contribute to the overall CPI-All Groups figure. In the past year there have been some large price rises within some sub-categories of the 11 CPI categories, which particularly impact on low income Territorians.

As Table 1b highlights, the price of automotive fuel has risen dramatically over the last year (10.1%). This represents a significant increase over the past year in the cost of living for motorists, which puts further pressure on low income households both in Darwin and across the NT (where fuel prices are generally higher). These price rises come after a sustained period of much lower fuel prices. Between the June quarter 2014-September quarter 2016, fuel prices dropped dramatically (the price dropped or stayed the same in eight out of the ten quarters in this period) (ABS 2017d, Data 5).

For some time, NTCOSS has highlighted the huge disparity between fuel prices in major centres and remote areas of the NT. Customers have been paying up to twice the price paid for fuel by motorists in Darwin and Katherine (NTCOSS 2016, P.21). Other sizeable increases in CPI over the past year occurred in the price of medical and hospital services (5.3%), gas and other household fuels (5.0%). In addition, the CPI for health overall increased by 3.6% and transport by 4.4% (see Table 1b).

Where price rises occur for key expenditure items such as fuel, health services and household fuels, it is likely a greater impact on the cost of living will be felt for low income and disadvantaged households, as expenditure on these items represents a greater proportion of weekly income.

There has been a decrease in price in some key expenditure areas – fruit (down 9.5%) and vegetables (down 6.2%), audio, visual and computing equipment (down 9.3%) and telecommunications and equipment services over all (down 3.8%) and rent (down 6.8%), but these figures only tell part of the story. NTCOSS has highlighted over many years that the NT has some of the highest rent prices in Australia, compared with other jurisdictions. While they have dipped recently, rental prices are still high, and continue to place great strain on many lower income households.

With regards to telecommunications & equipment services, prices have been steadily dropping in every quarter for the past three years – but at the same time there has been an increase in usage of telecommunication services, with more data being consumed, and data download volumes increasing by 52% over the past year (ACCC 2017, p.1). As an example, while prices for mobile phone services decreased by 1.8% on average over the past year (ACCC 2017, p.96), data inclusions on mobile plans increased by a third (ACCC 2017, p.1). This means while prices have dropped, expenditure may have actually risen, due to an increase in the usage of services. The second section of this report will look at issues related to telecommunications as a cost of living pressure in more detail.

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', 'Other Government Transfer Recipient' households, 'Employee' households and 'Self-funded retirees' (ABS 2017a). 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 2017c).

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 with expenditure for both Employee households and Self-Funded Retiree households. This is 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) Darwin vs National figures Sept 2016 - Sept 2017

Table 2a: Changes in SLCI figures over the past year (to September 2017)

National CPI all groups		1.8%	
SLCI for Age Pensioners		1.7%	which is <u>below</u> CPI increase
SLCI for Other Government Transfer Recipients		2.1%	which is <u>above</u> CPI increase
SLCI for Employee Households		1.5%	which is below CPI increase
SLCI for Self-funded Retirees		1.6%	which is below CPI increase

Source: SLCI Figures taken from ABS 2017a and CPI figures taken from ABS 2017d Data 6

Table 2b: Changes in SLCI figures over the past quarter (to September 2017)

National CPI all groups		0.6%	
SLCI for Age Pensioners		0.5%	which is below CPI increase
SLCI for Other Government Transfer Recipients		0.7%	which is <u>above</u> CPI increase
SLCI for Employee Households		0.7%	which is <u>above</u> CPI increase
SLCI for Self-funded Retirees		0.6%	which is same as CPI increase

Source: SLCI Figures taken from ABS 2017a and CPI figures taken from ABS 2017e Data 6

Contributing Factors to the changes in the SLCI Figures - Sept 2017 Quarter

Age Pensioner Households (+0.5% increase)

Contributors to the rise in SLCI

Housing (+3.6%) contributed most to the rise, driven by “driven by electricity due to higher wholesale prices” (ABS 2017b).

Alcohol and Tobacco (+2.0%) “driven by tobacco due to the effects of the 12.5% federal excise tax increase effective from 1 September 2017” (ABS 2017b).

Contributors to the offsetting movement

Food and non-alcoholic beverages (-1.3%) helped offset the rises, as a result of falls in vegetable prices, with favourable growing conditions having “led to an increase in the supply of many vegetables, having a downward impact on prices” (ABS 2017b).

NOTE: Age pensioner households spend a greater proportion of income on “food and non-alcoholic beverages, which fell this quarter, which is why the SLCI rose less than the CPI (+0.6%) this quarter (ABS 2017b).

Other Government Transfer Recipients Households (+0.7% Increase)

Contributors to the rise in SLCI

Housing (+2.1%) contributed to the rise, as per above (ABS 2017b).

Alcohol and tobacco (+3.0%) was the area that rose most, as per above (ABS 2017b).

Contributors to the offsetting movement

Food and non-alcoholic beverages (-1.2%) helped offset the rise, as per above (ABS 2017b).

NOTE: The larger rise in the SLCI (0.7 %) compared to the CPI (+0.6%) this quarter, is a result of a higher expenditure on housing and alcohol and tobacco, which both rose this quarter, when compared to the CPI population (ABS 2017b).

Employee Households (+0.7% Increase)

Contributors to the rise in SLCI

Housing (+2.2%) contributed to the rise, as per above (ABS 2017b).

Insurance and financial services (+1.7%) also contributed to the rise “due to increases in mortgage interest charges, which are not included in the CPI” (ABS 2017b).

Contributors to the offsetting movement

Food and non-alcoholic beverages (-0.8%) helped offset the rise, as per above (ABS 2017b)..

NOTE: “Employee households have a higher expenditure on insurance and financial services due to the inclusion of mortgage interest charges, which are not included in the CPI.

Self-Funded Retiree Households (+0.6% Increase)

Contributors to the rise in SLCI

Housing (+3.4%) was the main contributor to the rise, as per above (ABS 2017b).

Recreation and culture (+1.3%) also contribute to the rise, as overseas holiday travel and accommodation rose due to summer peak seasons in Europe and America” (ABS 2017b).

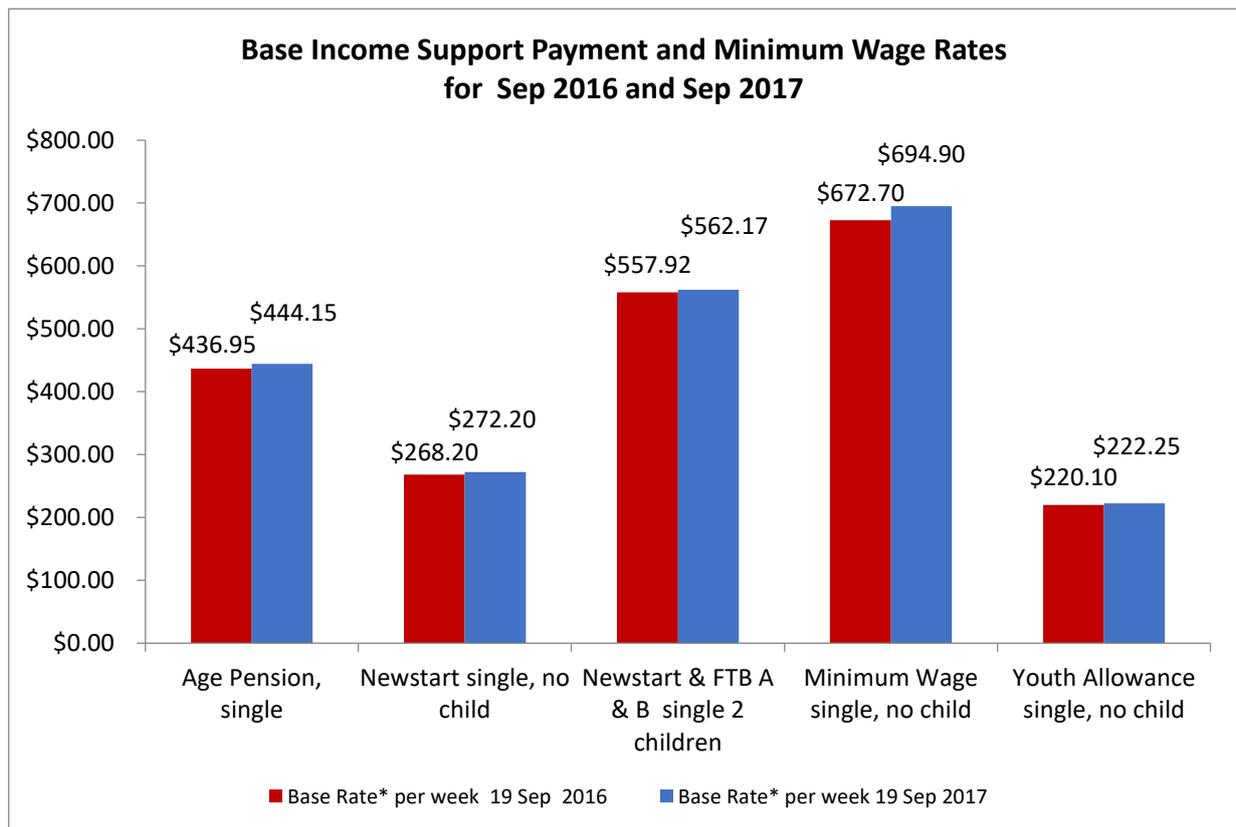
Contributors to the offsetting movement

Food and non-alcoholic beverages (-1.0%) helped offset the rise, as per above (ABS 2017b).

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.

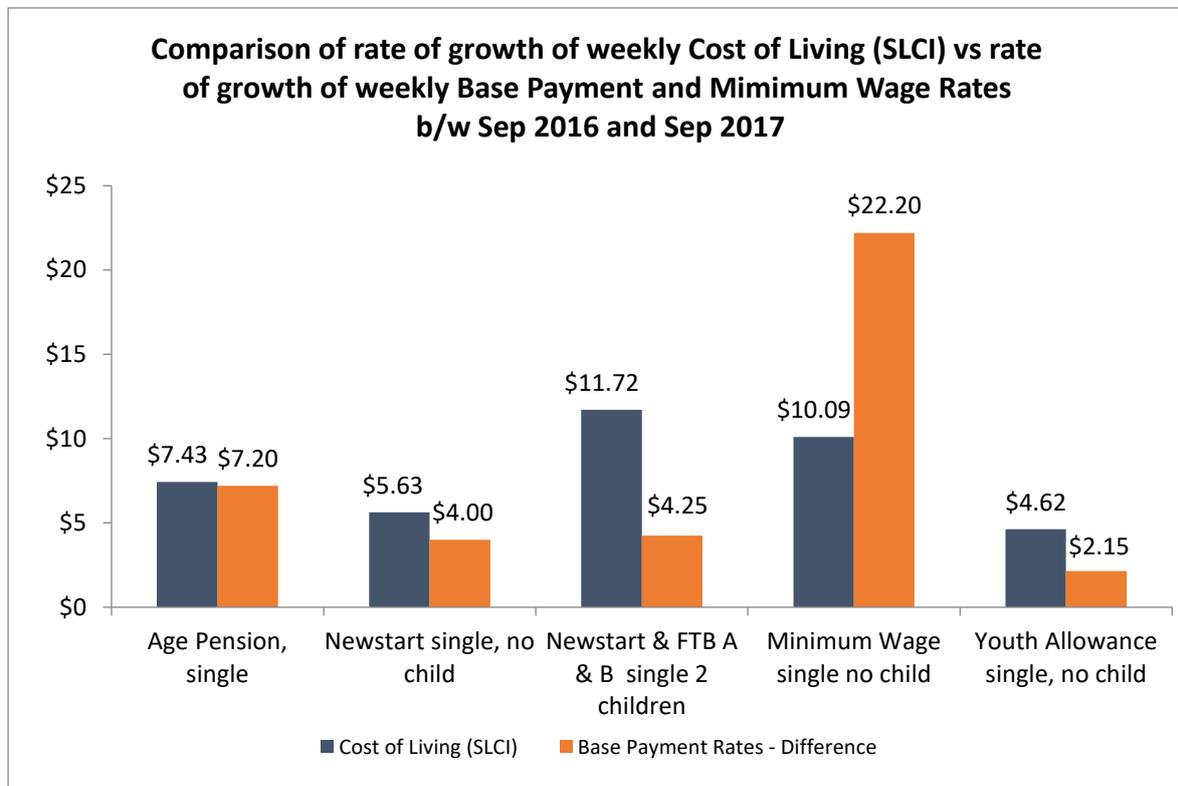
Figure 1: Comparison of selected Income Support Payments rates as at Sept 2016 and Sept 2017



Sources: Centrelink 2016 p. 2, 5, 12, 23, 26, 31, 32, 37, 38 Centrelink 2017, p. 2, 5, 13, 25, 26, 32, 33, 38, 39 Fair Work Commission, 2017 (*NB: For simplicity, Rent Assistance as well as some supplements are not included in Figure 1, as they can vary from person to person – see Explanatory Note 4 for information on the calculations for each payment type used in Figures 1 and 2).

Figure 2 compares cost of living changes for households with different income sources, and the changes in income for each of these groups.

Figure 2: Growth in Selected Income Support Payment rates vs Cost of Living (SLCI) over the past year (ending Sept 2017)



Sources: Centrelink 2016 p. 2, 5, 12, 23, 26, 31, 32, 37 & Centrelink 2017, p. 2, 5, 13, 25, 26, 32, 33, 38, 39
 ABS 2017a, Fair Work Commission, 2017. Note: The rate of growth of the SLCI is calculated by multiplying the Sept 2016 base payment rate by the percentage increase in the SLCI over the past year for the relevant payment type

As Figure 2 shows, the rise in cost of living for a single pensioner has risen almost on par with the rise in the pension over the past year, rising just \$0.23 above the rate of cost of living for a single pensioner. For single Newstart (single) recipients without children, the rise in the cost of living has outstripped the rise in payments by \$1.63 per week. For single Newstart recipients with two children, the difference was \$7.47 per week (\$390 per year). For single Youth Allowance recipients, the rise in the cost of living has outstripped the rise in payments by \$2.47 per week (\$129 per year) over the past year.

In comparison, for a single person (no children) on the minimum wage, the rise in cost of living was \$12.11 per week below the rise in the minimum wage, over the past year, meaning the minimum wage was more than keeping up with cost of living rises for these employees.

For recipients of Newstart and Youth Allowance, the lag is of particular concern, given that the existing **inadequate base rate of payment** (if it is the sole payment received). *It is critical therefore that the Commonwealth Government addresses these low rates of base payments.*

Struggling on Newstart and Youth Allowance

Living on \$222.25 per week on Youth Allowance or \$272.20 on Newstart means there is very little room for affording discretionary or luxury expenditure items. Housing, food, transport, health and utilities bills all have to be squeezed into a very small payment which, as at Sept 2017, was around \$420-\$470 under the Minimum Wage¹ of \$694.90 per week (Fair Work Commission, 2017). 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.

Research by the University of New South Wales (UNSW) Sydney has highlighted that “The Newstart Allowance received by people looking for work falls well below the minimum income required to achieve a basic standard of living – defined as a budget standard” (ACOSS 2017, p.1), **by \$96 a week for a single person, \$58 a week for a couple with one child and \$126 a week for a couple with two children**” (ACOSS 2017, p.1).

The UNSW report (New Budget Standards for Low-Paid and Unemployed Australians Report) reveals the shocking inadequacy of income support for the wide range of household types, as follows;

- Sole parent, one child - \$47 per week below the budget standard.
- Couple, one child - \$58 per week below
- Single adult - \$96 per week below
- Couple, with children - \$126 a week below
- Couple, without children - \$107 per week below (ACOSS 2017).

The report has suggested, in order to maintain an adequate level of payment, which factors in changes in circumstances, that consideration be given to the implementation of a “mechanism similar to the minimum wage”, set independently from Government, rather than the current situation where the level of the Newstart payment is set at the discretion of the government. (ACOSS 2017).

ACOSS has again called on the Federal Government to provide an increase to Newstart to help alleviate the dire levels of poverty being seen as a result of the failure to increase the basic rate of working-age social security payments in more than 20 years” (ACOSS 2017, p.1). NTCOSS again echoes this call and urges the Federal Government to increase the Newstart Allowance and other base level payments by \$50 per week, as a matter of urgency.

¹ NOTE: The Minimum Wage figure referred to of \$694.90 is for a 38 hour week (before tax) and is the minimum wage for the period 1 July 2017 – 30 June 2018.

Who is on Newstart Allowance?

People with Disability

As of June 2017, there were approximately 733,000 people receiving the Newstart –Allowance across Australia (Australian Government 2017a). These figures must be contrasted with the total job vacancies in Australia which were 201,300 in August 2017 (ABS 2017f).

Around a quarter of Newstart recipients are people with a significant disability, according to administrative data from the Department of Human Services, reported by Karvelas (2014). This data revealed that in March 2014, there were 173,060 Newstart Allowance recipients with a disability and 24.9 per cent were receiving support from a Disability Employment Service or had a “partial capacity to work” (Karvelas 2014).

Based on current figures, it means that **around 183,000 people** currently on the Newstart Allowance, as of June 2017, have a disability. Government data reveals that **170,566 people on Newstart had only a partial capacity work** (i.e. less than 29 hours per week), as of June 2017 (Australian Government 2017b). In addition, a further 11,200 people on Parenting Payment Single (Activity tested), and Youth Allowance (other) were also assessed as having only a partial capacity to work.

For people with a disability on Newstart who fall in the “partial capacity to work” category, it means that they have to apply for five jobs a week in which they would be expected to work up to 15 hours” (Jabour 2015).

Some job seekers have more than one disability. In 2014 there were more than **100,000 job seekers who “had physical disabilities** affecting their limbs, shoulders and upper arms, spine and another musculo-skeletal disorders”, according to Department of Human Services data reported by Karvelas (2014). Such physical disabilities have profound impacts on people’s ability to work, creating significant limitations on people’s ability to lift objects stand for long periods of time, as well as their capacity to walk over a long distance. “Other common disabilities included hypertension, which affected 12,410 job seekers, and circulatory system problems, which was a serious problem for 10,365 people on Newstart” according to Department of Human Services data highlighted by Karvelas (2014).

The former Labor government began tightening eligibility for the Disability Support Pension (DSP) in 2011, which included new rules forcing people on the DSP to look for work and take part in certain activities or lose their payment (Jabour 2015).

People with Mental Illness

People with mental illnesses were particularly affected by the tightening of eligibility for the DSP, which included new rules forcing people on the DSP to look for work and take part in certain activities or lose their payment (Jabour 2015).

Karvelas (2014) highlighted Department of Human Services data which showed that there were more than 72,000 job seekers “nationally who experienced depression or were dealing with psychiatric/psychological disorders or coping with anxiety.”

Sole Parents

Another group of people who make up a significant proportion of people receiving the Newstart Allowance are sole parents. In January 2013, the then-Labor government moved almost 100,000 parents from the Parenting Payment to the general unemployment benefit Newstart (ABC 2014).

The change introduced means that eligibility for Parenting Payment (single) is based on a sole parent having a child in their care under eight years of age, after which a sole parent will be shifted onto the Newstart Allowance, which pays a base rate around **\$85 under the base rate of the Parenting Payment (single) (Centrelink 2017, p.11,27).**

People aged between 50-64

In 2014, it was estimate that there were 140,000 unemployed Australians aged between 50 and 64 receiving the Newstart allowance from Centrelink (ABC 2013).

Long Term Unemployed

More than seven out of 10 Australians (over 538,000 people) on unemployment benefits have been out of work for more than a year, as at 2015 (Martin 2017).

Newstart Allowance recipients in the Northern Territory

As of June 2017, there were 13,816 people receiving the Newstart Allowance, and 2407 people receiving the Youth Allowance (including 380 students/apprentices). (Australian Government 2017a).

Pension Indexation System and Inadequacy of Indexation for Allowance Payments

The previous figures shown 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 marginally lag behind the rise in the SLCI. *NB: Disability Support Pension rate is identical to the Age Pension rate, but for simplicity reference is made to the Age Pension in this report.*

Newstart, Youth Allowance and other base level benefit allowances are indexed to the CPI only, which does not ensure that increases in allowances will always keep up with the cost of living, as described above, and evident in Figure 2. At the moment, the **Newstart Allowance is almost \$172 per week lower than the age pension. \$38 a day is simply not enough for an individual to live on.**

SECTION 2 – Telecommunications

Telecommunications: Summary of Key Issues

An increasing range of telecommunications equipment and services are now available to consumers including products like mobile phones, lap top computers, desk top computers, ipads, mobile broadband devices and landline telephones. In addition, there are services such as mobile phone plans (both prepaid and post-paid), internet service packages, as well as bundled packages, encompassing mobile, landline and internet services.

Access to these telecommunications products and services is critical for individuals and families across the Northern Territory in order to be connected to family, schools, work and services such as government and medical – and to be able to be a full participant in society.

There has been an increased move towards a range of government services being online, with face-to-face services decreasing, making access to some services much more difficult without access to internet, data or mobile phones.

There appears to be an increasing expectation that all people have instant access to the internet – which may not be possible for all; as well as increased pressure to have a phone or other device with ‘data’ that will allow downloading of documents (MyGov letters for example) so that people can receive information.

Households in the Northern Territory have the highest weekly expenditure on telecommunications nationally (\$65 per week, \$12 above the national average), though the NT is ranked 5th amongst all the states and Territories in terms of telecommunications as a proportion of weekly expenditure, due to the NT also having the highest wages in the country. In Darwin, households spend the most per week on mobile telephone and internet charges, both in terms of expenditure and as a proportion of disposable income, out of all capital cities.

Affordability for telecommunications equipment and services is a very real issue. Many people in the NT cannot afford the more advanced types of devices (e.g. smart phones) and only have a basic phone service, and as a result have to rely on friends, family or service organisations to be able to access the internet or data. People without supportive networks, however, may miss out which can further increase their vulnerability.

Low income households also spend proportionately more on basic services than higher income households. Technology is constantly changing and the need to update or be left behind adds another financial pressure. It has been well documented that there is a digital divide in Australia, and ‘with it comes the risk of deepening social, economic, and cultural inequalities. As digital technologies become ever-more central to public and private life, the disadvantages of not being connected increase’ (Thomas et al, 2016, p.4).

Telecommunications prices have gone down over the last two decades across Australia (with Darwin being no exception). Over the last 20 years the CPI for telecommunications has decreased significantly, while the overall CPI for Darwin has risen. At the same time, the usage of telecommunication devices and services has risen dramatically.

Despite prices being lower, with usage having risen, households are still outlaying significant amounts of money on telecommunication products and services. Calculations on 2015/16 Household Expenditure Survey (HES) figures show that overall there has been an average of a \$22 real increase in expenditure on telecommunications equipment and services across the country, since the 1998/99 HES. Interestingly however, since the 2009/10 HES there has been a decrease in real terms by around \$4.30 per week nationally and around \$7.00 in the NT (see Tables 6a and 6b below).

It is people on the lowest incomes however, who are of primary concern to NTCOSS, in particular pensioners and other social security recipients, those renting (particularly from state housing) and lone person households, as low income earners tend to spend less overall on telecommunication (resulting in access to fewer services, and therefore being more at risk of digital exclusion). At the same time, they also spend a greater proportion of their income on telecommunications than other households.

Low income consumers also often face a 'poverty premium' (additional costs and charges imposed as a result of people's poverty) on their mobile phone plans, especially if using a prepaid mobile.

While there is Telephone Allowance (TAL) paid through Centrelink for certain income support recipients, the TAL was historically set up to assist with the maintenance of a telephone service, and not call costs. It is a very low amount and is poorly targeted, and reform is required to ensure that its purpose and payment rate reflect today's realities.

There is other data that reinforces concerns for low income and vulnerable groups across the board, particularly data available through the latest Australian Digital Inclusion Index (ADII) report.

Overall the ADII data suggests that the NT appears to be doing relatively well on face value, in terms of digital inclusion, when compared with the other states and territories. A small survey sample size however, masks the reality of digital inclusion across the NT, making it difficult to draw firm conclusions about who may be missing out in the NT. In addition, the ADII for the NT data does not include remote Aboriginal populations – missing out a significant section of the population, who because of their remoteness are likely to face additional challenges in terms of accessing telecommunication services.

While the affordability sub-index in the NT has improved between 2014 and 2017, and particularly over the last year, this cannot be seen as representative of the overall population. National ADII figures highlight a number of population sub groups for whom lower rates of

digital inclusion is an issue, with affordability being a particular issue for many of these groups, who are represented across the NT population, e.g.:

- Low income households
- People with disability
- Aboriginal and/or Torres Strait Islander people
- Older Australians
- People with a language other than English
- People in rural areas
- Mobile only users
- People with low education levels, and unemployed people (Thomas et al, 2017 pp 5-6, 11-16)

Telecommunications: A Critical Expenditure Area

Access to a range of telecommunication products and services is critical for people to be connected to family, schools, work and services such as government and medical and for full participation in society/social inclusion. SACOSS (2015, pp. 3-4) describe telecommunications services as being *essential, significant and regressive*.

Essential: Telecommunications products and services are becoming an increasingly necessary component of daily life that require ongoing financial outlays to both obtain, maintain and upgrade as changes to technology occur, and service delivery methods change, as outlined in further detail in the Telecommunications Overview (p.7 above).

Technology is required to perform a multitude of daily tasks such as banking, shopping, liaising with Government departments and for educational purposes. Not having access to either the right technology, or sufficient data, can significantly hamper one's ability to function and participate in society.

The study by Saunders and Wong (2012, p. 34), revealed that there was a significant rise in the number of people who indicated that a home computer, mobile phone, and access to the internet at home as essential items between 2006 and 2010.

Significant: Telecommunications expenditure as a proportion of disposable household income represents less than 3% of household expenditure (Productivity Commission 2016, p. 14). The Productivity Commission describes this as being relatively small, however it is comparably greater than household expenditure on electricity, recently estimated as 2.7% nationally (Phillips 2016, p. 4, 5) and only 2.1% for a combined ACT/NT figure.

Given that electricity is widely accepted as a significant household expenditure item, which often comes in large bills (accompanied by 'bill shock') and can cause significant hardship for some households to manage, telecommunications expenditure similarly can lead to 'bill shock' (SACOSS 2015, p.11) and clearly represents a significant household expenditure item.

As a comparison, data compiled by NTCOSS using the 2015-16 ABS Household Expenditure Survey showed that on average, households nationally spent 3.1% on average of their disposable household income on telecommunications services and equipment.

The lowest income quintile households, however spent 5.8% and the highest only 2.1 %. It is important to examine not just at the average national figure, but also what telecommunication expenditure means for lower income households – as telecommunications bills are regressive.

Regressive: As described by ACCAN (2016, p. 5) “telecommunications costs are regressive, meaning that lower-income households spend a higher percentage of their income than higher-income households”.

With respect to fixed broadband services in Australia, expenditure is “on average 0.83% of disposable income, but for those in the lowest 20% of disposable income category it is 2.29%”. Mobile broadband follows a similar trend, with expenditure on average being 0.3% of disposable income; while the “lowest 20% income groups spend nearly six times more of their disposable income on mobile broadband than the highest 20% income groups” (ACCAN 2016, p.7).

2015/16 Household Expenditure Survey (HES) - Telecommunications Expenditure

The following table shows weekly expenditure levels for all telecommunications items (equipment and services) for Darwin, the Northern Territory, and the country as a whole.

Table 3: Telecommunications Ave. Weekly Expenditure Darwin & NT vs National 2015/16

	Darwin Ave Weekly Expenditure	NT Ave Weekly Expenditure	Australia – All Households Ave Weekly Expenditure
Telecommunications Hardware			
Communication Equipment	\$3.17*	\$3.82*	\$3.21
Mobile Phones	\$2.70**	\$3.17*	\$3.00
Telephone handset (purchase)	\$0.03**	\$0.02**	\$0.06**
Answering machines	\$0.00	\$0.00	\$0.00
Modems (separate purchase)	\$0.58**	\$0.70**	\$0.06*
Smart watches and wearable technology	\$0.00	\$0.00	\$0.02**
Home computer equipment (including pre-packaged software)	\$9.37	\$12.69*	\$6.93
Repair and maintenance of audio-visual equipment & personal computers	\$0.31**	\$0.31*	\$0.53
<u>SUB TOTAL – Telecommunications Hardware</u>	<u>\$12.85</u>	<u>\$16.82</u>	<u>\$10.67</u>
Telecommunication Services			
Telephone and facsimile charges	\$36.34	\$37.45	\$35.69
Fixed telephone account	\$9.13	\$9.80	\$14.02
Mobile telephone account	\$20.30	\$19.85	\$17.24
Public telephone call (not account)	\$0.00	\$0.00	\$0.01**
Mobile Phone charges (not account)	\$4.02	\$4.61	\$2.24
Telephone and facsimile charges nec	\$2.61	\$3.05	\$2.03
Internet charges	\$11.30	\$11.02	\$6.47
Internet charges (account)	\$10.91	\$10.62	\$5.97
Internet charges (not account)	\$0.17**	\$0.55*	\$0.48
<u>SUB TOTAL – Telecommunications Services</u>	<u>\$47.44</u>	<u>\$48.47</u>	<u>\$42.16</u>
<u>TOTAL – ALL TELECOMMUNICATIONS EXPENDITURE</u>	<u>\$60.29</u>	<u>\$65.29</u>	<u>\$52.83</u>
<i>TOTAL GOODS AND SERVICES EXPENDITURE</i>	<i>\$1649.32</i>	<i>\$1700.04</i>	<i>\$1425.03</i>
<i>ALL TELECOMMS EXPENDITURE AS % OF TOTAL GOODS & SERVICES EXPENDITURE</i>	<i>3.66%</i>	<i>3.84%</i>	<i>3.71%</i>
<i>WEEKLY MEAN DISPOSABLE INCOME</i>	<i>\$2032</i>	<i>\$2073</i>	<i>\$1706</i>
<i>ALL TELECOMMS EXPENDITURE AS % OF WEEKLY MEAN DISPOSABLE INCOME</i>	<i>2.97%</i>	<i>3.15%</i>	<i>3.10%</i>

Source: ABS 2017g, Table 13.2A, A3.3A, 13.9A

Households in both the NT overall, and Darwin, spend more than the national average on telecommunications goods and services, both in terms as a dollar amount and as a proportion of overall weekly expenditure. NT households overall also spend more as a proportion of weekly disposable income, than the national average (although in Darwin the figure is below that national average).

The specific sub categories of expenditure areas that are driving the differences in terms of weekly expenditure (as a dollar amount) are:

- Home computer equipment, where the NT expenditure is nearly double (1.83x) the national average and expenditure in Darwin is around 1.35 x the national average.
- Internet charges, where the NT expenditure is 1.70x the national average and expenditure in Darwin is around 1.75 x the national average.

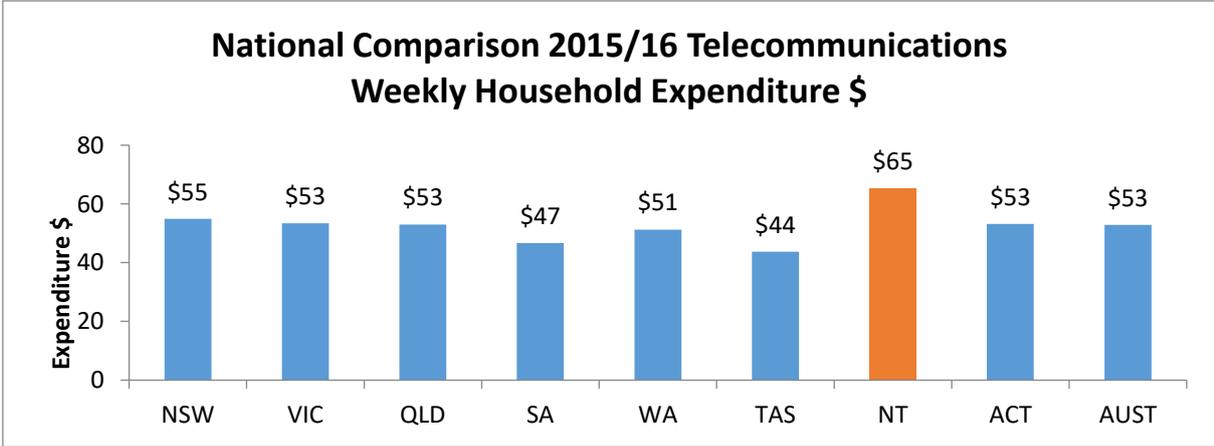
The only sub category where the NT and Darwin were significantly lower than the national average, was in relation to expenditure on Fixed telephone accounts – which may reflect the overall younger average population in the NT, more likely to have a mobile phone than a landline, as well as the relatively limited number of landlines in remote Aboriginal communities.

In terms of differences in figures between NT households overall and Darwin households, weekly expenditure on Home computer equipment (including pre-packaged software) is \$3.32 per week lower in Darwin (which is the most significant contributor to the \$5 difference in NT expenditure vs Darwin expenditure)

NT households top the list of weekly expenditure on telecommunications

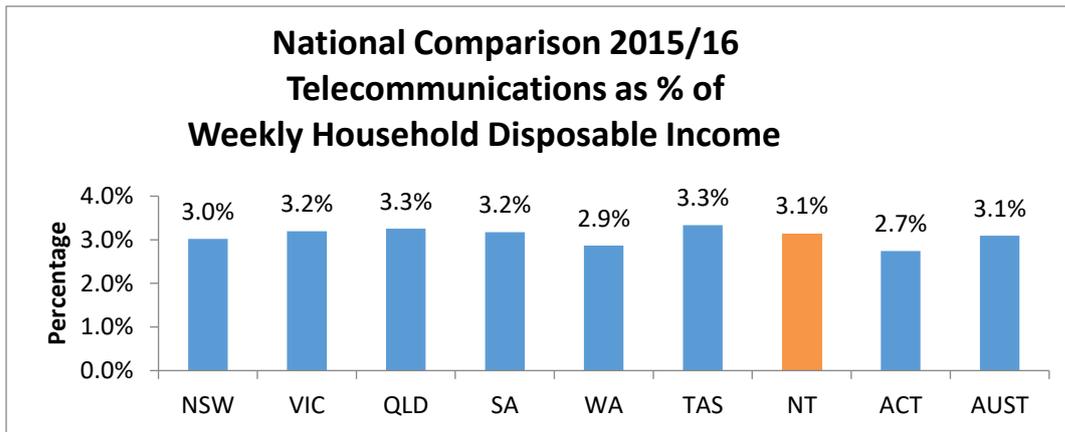
As Table 3 above and Figure 3 below show, the Northern Territory has the highest level of expenditure on telecommunications in the country. In addition, the Darwin weekly expenditure figure (see Table 3) is very similar in most of the sub categories, and is higher than the national capitals average.

Figure 3: Weekly Household Expenditure on Telecommunications – States and Territories 2015/16



Source: ABS 2017g, Table 13.9A

Figure 4 Telecommunications as a proportion of Weekly Household Disposable Income National Comparison



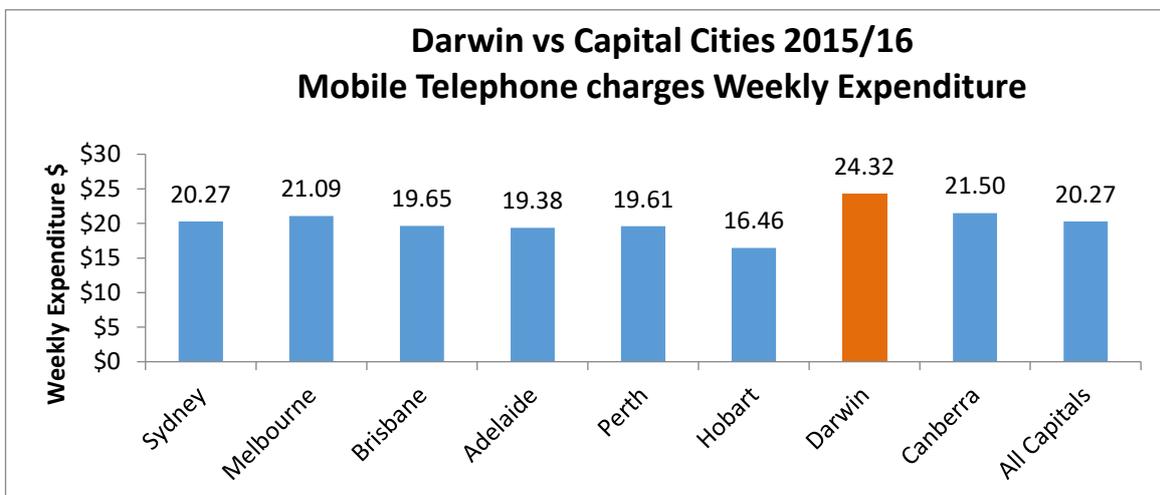
Source: ABS (2017g) Table 13.8A, 13.9A

In terms of the proportion of disposable income spent on telecommunications, the NT is ranked 5th amongst all the states and Territories. This is reflective of the NT having the highest disposable income in the country (\$2073 per week, well above the national average of \$1706) – but the NT also has significant pockets of low income households who face poverty and disadvantage – who may be spending a far greater proportion of their income on telecommunications, as will be examined in further detail below.

Darwin households top the list of weekly expenditure on mobile telephones and internet charges

Darwin households have the highest expenditure on both mobile telephones and internet services amongst all of the capital cities across the country (see Figures 5 and 6). Darwin households also spend the greatest proportion of income in these areas, compared with the other capital cities, as shown in the figures below.

Figure 5: Weekly Household Expenditure on Mobile Telephone charges* – Capital Cities 2015/16

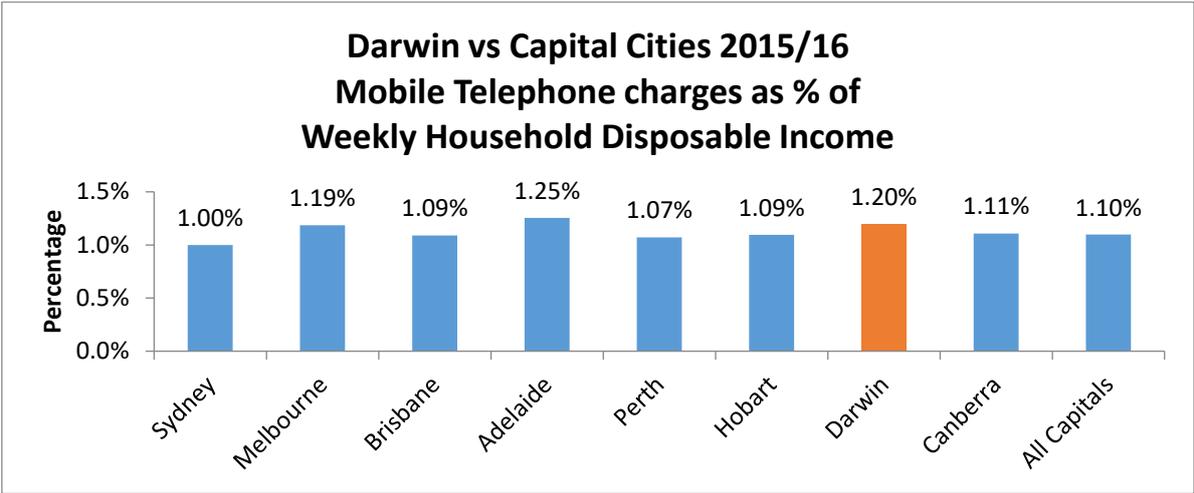


Source: ABS 2017g, Table 13.3A

*This does not include the costs of purchasing a mobile phone itself

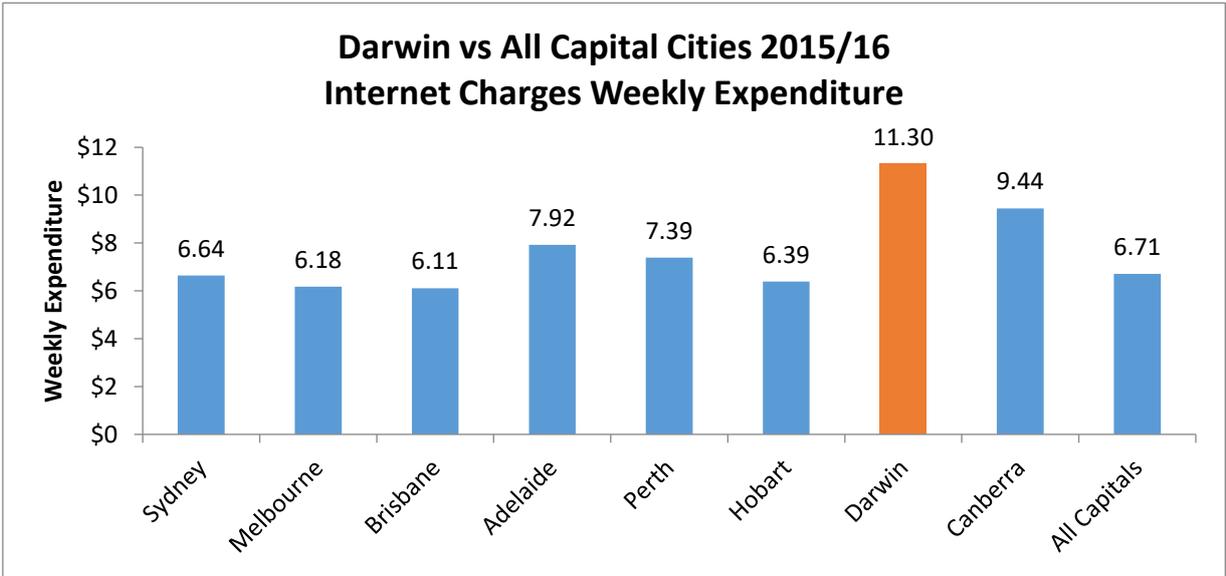
Darwin households spend more than \$4 per week above the national average expenditure on mobile telephones, which equates to more than \$210 per year than the national average. In addition, Darwin households spent a second most in the country (marginally behind Sydney) as a proportion of weekly disposable income on mobile phone services, and higher than the national average.

Figure 6: Weekly Household Expenditure on Mobile Telephone charges* as a proportion of Weekly Disposable Household Income – Capital Cities 2015/16



Source: ABS 2017g, Table 13.2A, 13.3A
 *This does not include the costs of purchasing a mobile phone itself

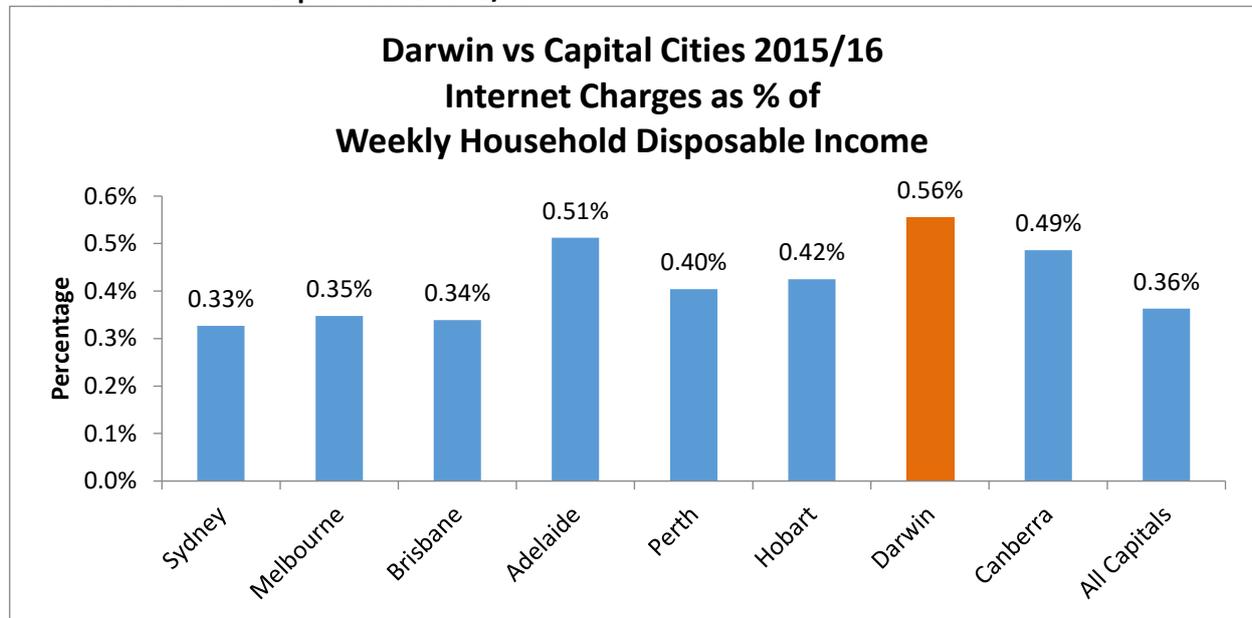
Figure 5: Weekly Household Expenditure on Internet Charges – Capital Cities 2015/16



Source: ABS 2017g, Table 13.3A

Darwin households spend around \$4.50 per week more than the national average on internet charges, which equates to more than \$230 per year than the national average. In addition, Darwin households had the highest proportion of weekly expenditure on mobile phone services, much higher than major cities like Sydney, Melbourne and Brisbane – as well the national average.

Figure 6: Weekly Household Expenditure on Internet Charges as a proportion of Weekly Disposable Household Income – Capital Cities 2015/16



Source: ABS 2017g, Table 13.2A, 13.3A

The shift to Online and Digital Services

It is becoming essential for people to be connected to at least one device, if not more, with the shift of many services to online servicing as their first preference, especially government services. In 2015, the Commonwealth Minister for Communications stated that the Commonwealth Government’s Digital Transformation Agenda seeks to ensure that ‘all new and redesigned government services...can be completed from start to finish online’ (Minister for Communications 2015, cited in Ogle and Musolino 2016, p.10).

In 2016, SACOSS commissioned Mint Research to conduct a survey of over 500 Centrelink recipients and Low Income Health Care Card holders from across the country, to form part of report that ACCAN commissioned SACOSS to do (Ogle & Musolino 2016, p.6).

Based on the survey sample population from the research undertaken by Mint Research, Ogle & Musolino (2016, p. 14), highlight “the broad societal shifts to mobile and digital technology are just as significant for those on low incomes as for the rest of the population”. Ogle & Musolino (2016, p. 9) reported that 68% of respondents usually accessed government services online while 26% said they usually accessed government services by phone.

This increased move towards online services has also brought with it a diminished access to face-to-face services which makes accessing some services much more difficult without access to internet, data or mobile phones. There appears to be an increasing expectation that all people have instant access to the internet but this may not be possible for everyone.

Internet Use data from the ABS shows that the volume of data downloaded nationally has increased over 20 times since the previous HES was done in 2009/10 (ABS 2016a, Volume of data downloaded page).

Within the context of the increased usage of telecommunication devices the issue of affordability is critical. Affordability of telecommunications products and services is a very real issue for lower income households, particularly with changing technology necessitating people update their devices, or be left behind.

There is a sense of increased pressure to have a phone or other device with 'data' that will enable the receipt and downloading of documents (this can be the case with MyGov letters for example). For people without access to the internet at home, nor access to a smart mobile phone with data (or constant data), they may have to rely on friends or social services to access services online or to print documents. People without such supports may slip through the safety net, and may find themselves unable to respond to requests for information from government departments such as Centrelink which could lead to them missing an appointment and possibly being breached and subsequently having payments suspended or cut.

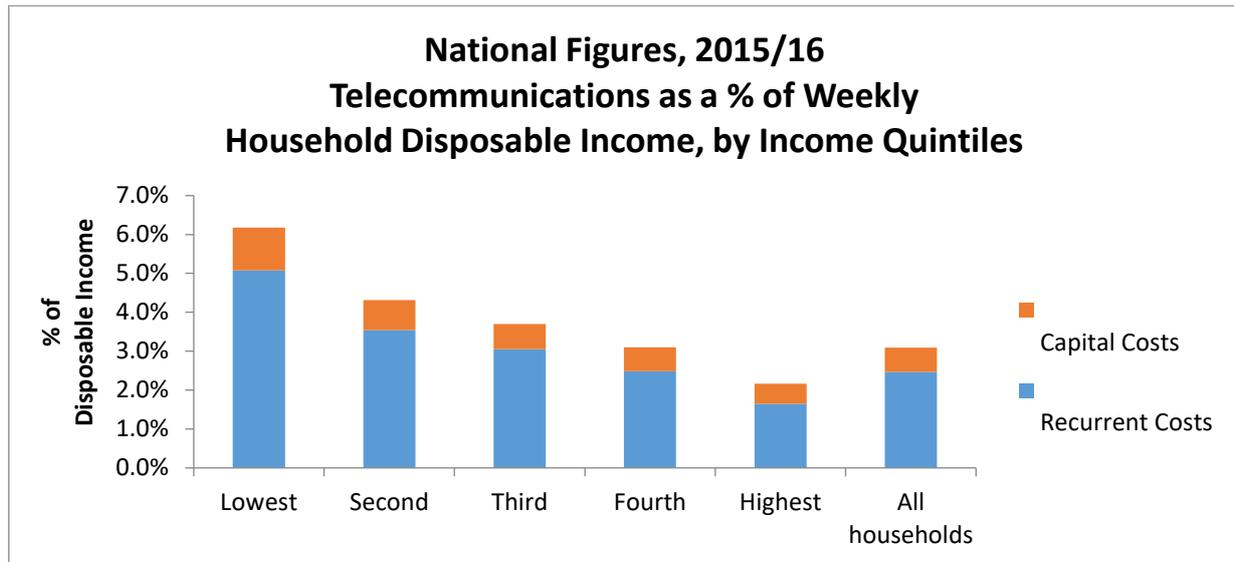
Telecommunications products and services also typically take up proportionally more of a low income household's budget than for a higher income household, as the next section highlights.

The Regressive Nature of Telecommunications Expenditure

The regressive nature of telecommunications expenditure is evident from data from the 2015/16 ABS Household Expenditure Survey (HES), which shows that lower income households spend proportionately more of their income on telecommunications, than do higher income households. This is driven primarily by recurrent costs, rather than capital costs, where their proportion of expenditure is the lowest out of all the income quintiles.

As Figure 7 shows, telecommunications expenditure as a proportion of household disposable income declines with each higher quintile income level, with this pattern of decline being consistent across both capital (equipment), and recurrent (service charges). The lowest income quintile group spends nearly 3x as much on telecommunications, as a proportion of disposable (gross) income (6.2%), when compared with the highest income quintile (2.2%) (ABS 2017g).

Figure 7: Telecommunication as a proportion of weekly disposable Income, by income Quintiles,



Source: Derived from ABS 2017g, Table 4.2A, 4.3A

Note: The exact % amounts for each Quintile from lowest to highest is: 6.2%; 4.3%; 3.7%; 3.1%; 2.2% (3.1% All households)

Given the overall decreases in expenditure nationally and across the NT over the last six years, expenditure on telecommunications has decreased as a proportion of household expenditure on goods and services, declining (nationally) for households overall from 4.0% to 3.7%. For the lowest income quintile households, however, “telecommunications expenditure in real terms and telecommunications share of household expenditure have increased slightly” (SACOSS 2017b, p.1, using data from ABS 2011b and 2017g).

In addition, the HEs data reveals that lone person households, pensioners and other social security recipients, and those renting (particularly from state housing authorities):

- spend significantly less on telecommunications - and are therefore likely to be more digitally excluded, but
- spend proportionately more of their income on telecommunications than other households (in SACOSS 2017b, p. 1 (using data from ABS 2017g)).

With increased pressure to access more data or update devices, for households on a limited income, expenditure on telecommunications has to be juggled with other essential costs such as rent, food, other utilities, transport costs, medical, and other basic household costs. With little or no funds available for discretionary spending, people often have to make difficult choices about what they can afford, compromising one need (e.g. healthy food) for another, particularly if unanticipated expenses occur (e.g. expensive car repairs). When people are unable to meet payment deadlines to a creditor, this can lead to further financial difficulties, with the risk of being pursued by a debt collection agency.

While lower income households spend proportionately more on telecommunications than higher income households, SACOSS (2013, p. 4) have pointed out that despite this they (especially the lowest income quintile) households have ‘cheaper/lower standard equipment’.

Higher income households clearly have greater capacity to afford to spend more of their income on mobile phones and electronic devices and platforms. SACOSS (2013, p.5) argue that this represents an “inherent unfairness”, as while low income households generally pay proportionately more for other utilities, such as electricity, in this case they get the same generic electricity product, but with telecommunications “this is not the case”. It is also significant to note, as pointed out by the Swinburne Institute for Social Research, Centre for Social Impact, Telstra Corporation Ltd (2015), that “while telecommunications prices have generally declined in Australia in recent years, compared to international prices, Australia’s are still relatively high” (cited in Ogle and Musolino 2016, p.16). The regressive nature of telecommunications expenditure is also evident when comparing households by income types. People on income support payments (Government Pensions and Allowances) pay a far greater proportion of both their disposable income on telecommunications than do people who are on much higher weekly incomes.

Table 4: Telecommunications Expenditure by main source of income

	Average Weekly Expenditure					
	Private Income				Government Pensions and Allowances (a)	All households (b)
	Employee	Own unincorporated business	Other income	Total		
Telecommunication Equip	\$13.14	\$8.17	\$10.06	\$12.52	\$4.36	\$10.58
Telecommunication Charges	\$49.15	\$40.42	\$37.63	\$47.13	\$26.51	\$42.16
Total Telecommunications	\$62.29	\$48.59	\$47.69	\$59.65	\$30.87	\$52.74
Mean Disposable Income	\$2,115	\$1,732	\$1625	\$2025	\$706	\$1706
Telecommunications as % of Disposable Income	2.9%	2.8%	2.9%	2.9%	4.4%	3.1%
Sub Categories of the above						
Mobile Phones	\$3.73	\$1.43*	\$2.09*	\$3.45	\$1.41	\$3.00
% of Total Disposable Income	0.18%	0.08%	0.13%	0.17%	0.20%	0.18%
Home Computer Equipment	\$8.77	\$6.14	\$6.72	\$8.34	\$2.29	\$6.89
% of Total Disposable Income	0.41%	0.35%	0.41%	0.41%	0.32%	0.40%
Fixed Telephone account	\$13.87	\$13.71	\$17.05	\$14.36	\$13.04	\$14.02
% of Total Disposable Income	0.66%	0.79%	1.05%	0.71%	1.85%	0.82%
Mobile Phone account	\$21.88	\$19.09	\$11.22	\$20.23	\$7.85	\$17.24
% of Total Disposable Income	1.03%	1.10%	0.69%	1.00%	1.11%	1.01%
Internet Charges	\$7.73	\$5.61	\$5.73	\$7.37	\$3.51	\$6.47
% of Total Disposable Income	0.37%	0.32%	0.35%	0.36%	0.50%	0.38%

Source: SACOSS 2017a (Data derived from ABS 2017g, Table 5.3A)

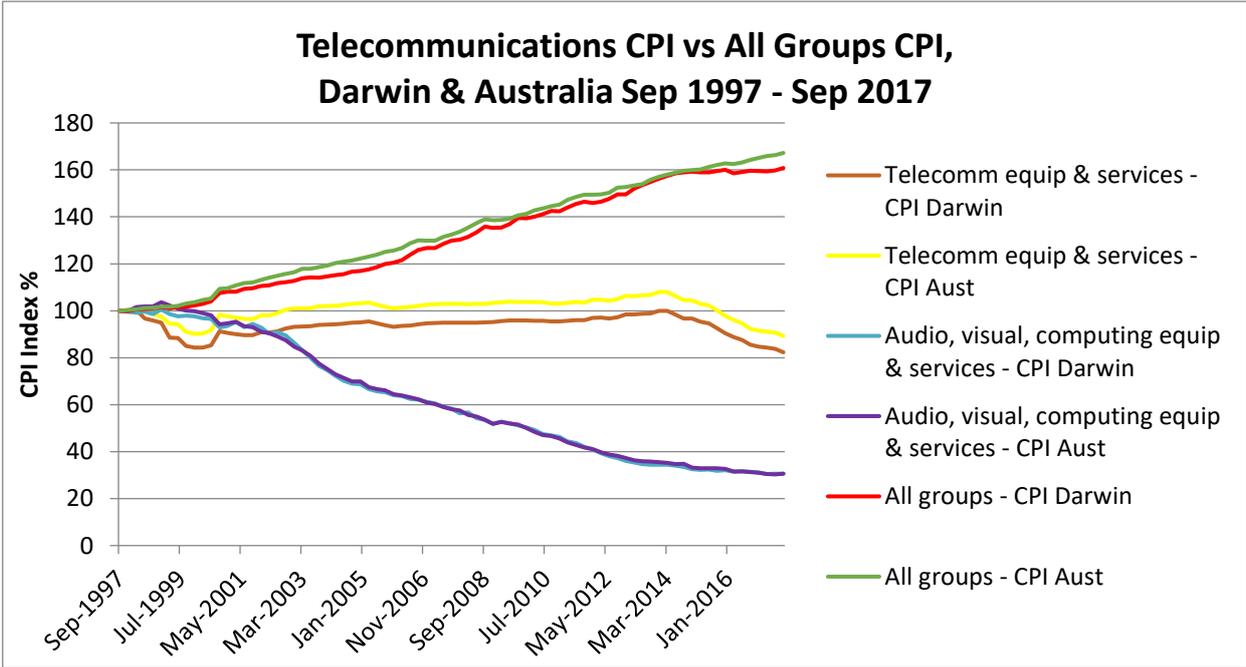
In relation to sub categories of expenditure, households where income support is the main income source pay more as a proportion of weekly disposable income on mobile phones (equipment purchase), fixed telephone accounts, mobile phone accounts and internet charges, than all other household income categories. With home computer equipment, while income support households pay proportionately less than the other income households, it may reflect that this is a category requiring the largest monetary outlay. It also means that households relying on income support are buying cheaper, poorer quality equipment (see also p.20 above).

Telecommunications Price Changes

Consumer Price Index (CPI) Data

CPI figures for Darwin for telecommunications equipment and services show consistent overall price decreases over the past two decades with the decline in price for audio, visual and computing equipment and services particularly significant (down 69.4%, consistent with the national decrease of 69.3%) (ABS 2017e, Data 5). At the same time, the All Groups CPI for Darwin has increased by 60.8%, consistent with, but just below, the corresponding national figure of a 67.2% increase (ABS 2017e, Data 6).

Figure 8: Telecommunications CPI vs All Groups CPI – Darwin and Australia



Source: ABS 2017e, Data 5, 6

The ABS figures for Darwin are presented here in summary form, showing changes in prices over the last five, ten and twenty years.

Table 5: Summary of Price Rises Telecommunications Darwin over the last 5, 10, 20 years

	Telecommunication equip & services CPI Darwin	Audio, visual, computing equip & services CPI Darwin	All of Darwin CPI
Since Sept 1997	-17.7%	-69.4%	60.8%
Since Sept 2007	-13.2%	-47.8%	23.8%
Since Sept 2012	-15.4 %	-17.9%	7.5%

Source: ABS 2017e Data 5

Increase in use of Telecommunications (as prices have decreased)

There has been incredibly rapid growth in the demand for and consumption of telecommunications services and hardware in Australia over recent years. The Australian Competition and Consumer Commission (ACCC) have highlighted that “More consumers can [now] access higher quality networks and a greater range of services” as a result of developments including the increase in NBN services, and the growth in network capacity and three 4G networks covering the majority of the population (ACCC 2017, p.1).

In 2016, national data download volumes increased by 52% for internet and mobile data combined, compared with the previous year (ACCC 2017, 6th page (un-numbered)). At the same time, the overall prices paid for telecommunications services fell 1.5% in real terms, primarily as a result of decreases in prices for fixed voice service (down 7.5%) and mobile phone services (down 1.8%), however the price for internet services increased by 2.7% (ACCC 2017, 6th page (un-numbered), p.1).

Growth in Mobile Phone Data Usage: National Figures

There were around 22 million mobile handset subscribers in Australia as of 30 June 2016, which is a 4.6% increase on the previous year. In terms of downloads, 121,147 Terabytes of data was downloaded for the three-month period ending 30 June 2016 – which represents an average of 1.8 GB of data downloaded per month, per subscriber. This is a 33.6% increase compared with the three-month period ending 31 December 2015 (ABS 2016a, Mobile handset subscribers page).

Figures provided by the ACCC, show the increase in mobile data usage over the last four years at the national level. Along with the growth in demand for services, prices have decreased. Most of the growth in data usage has been for post-paid mobile services, and while there has been growth in data usage by users of prepaid services (more likely to be the choice of people with low incomes), this growth has not been anywhere as rapid as for post-paid mobiles.

Changes in Telecommunications Expenditure in Real Terms (Constant Dollars)

The following table shows the average household expenditure on telecommunications at the national level for each of the years for which HES data has been collected. Calculations have been done for both national figures and for the Northern Territory. The historical HES figures have been converted into December 2015 dollar figures (as December 2015 is the mid-point of the 2015/2016 HES period) to allow for a direct comparison with the most recent HES figures (ABS 2017g) (See Explanatory Note 6 for full details of calculations using the CPI inflation calculator (ABS 2017h)).

Table 6a: Australia: Telecommunications Expenditure comparing different HES years – using Dec 2015 AUD

Australia	1998-99	2003-04	2009-10	2015-16
Telecommunications Equipment	N/A	\$11.53	\$11.38	\$10.60
Telecommunications Charges	\$30.10	\$40.78	\$45.67	\$42.16
Total Telecommunications Expenditure	\$30.10	\$52.30	\$57.05	\$52.76
% of Household Expend (using current dollars)	N/A	4.3%	4.0%	3.7%
% of Disposable Income (using current dollars)	N/A	N/A	N/A	3.1%

Source: ABS 2000, Table 5; ABS 2006, Table 5; ABS 2011a Table 27A, ABS 2017g Table 13.9A; ABS 2017h

Table 6b: Northern Territory: Telecommunications Expenditure comparing different HES years – using Dec 2015 AUD

Northern Territory	1998-99 Darwin*	2003-04 NT	2009-10 NT	2015-16 NT
Telecommunications Equipment	N/A	\$14.03	\$23.22	\$16.89
Telecommunications Charges	\$45.38	\$44.62	\$49.11	\$48.47
Total Telecommunications Expenditure	\$45.38	\$58.65	\$72.33	\$65.36
% of Household Expend (using current dollars)	N/A	4.1%	4.2%	3.8%
% of Disposable Income (using current dollars)	N/A	N/A	N/A	3.2%

Source: ABS 2000, Table 5; ABS 2006, Table 5; ABS 2011a Table 27A; ABS 2017g Tables 13.3, 13.9A; ABS 2017h

**Note: in the 1998/99 HES, the Detailed Results for each state and Territory did not include NT figures, but only Darwin figures, but given that Darwin and NT expenditure figures were close in the 2003/04 HES, the 1998/99 Darwin figure is seen as fairly indicative of what the NT Figure would have been. (In fact, the Darwin figure may in fact have been higher than the NT figure in 1998/99, as in 2003/04 the equivalent Darwin Figure in constant dollars was \$62.20, compared with the NT figure of \$58.65 (derived from ABS 2006 Table 5 and Table 8, Table 23A and ABS 2017h). In 2009/10, the expenditure amounts on telecommunications were almost identical between the NT and Darwin, except in the NT expenditure on Home computer equipment was \$6 per week more, while in 2015/16 it was approximately \$3 more. *The approx. \$20 increase in the NT since \$1998/99 could in fact understate the magnitude of the increase.*

There has clearly been a significant rise in telecommunications expenditure over the past two decades, with a national rise of over \$22 per week, and for the NT there has been a rise of around \$20* per week in real terms (in Darwin the rise has been around \$15) (ABS 2000, Table 5; ABS 2006, Table 5; ABS 2011a Table 27A; ABS 2017g Tables 13.3, 13.9A; ABS 2017h).

The very significant rise overall, for households across the country in the last two decades, amounts to over \$1000 per year in real terms that households are paying compared to nearly 20 years ago (including the NT). This rise in expenditure has occurred despite the significant drop in prices over the same time – as reflected in CPI figures. There has however been a decrease in expenditure since the 2009/10 Household Expenditure Survey across the country (including the NT), as discussed elsewhere – but the historical changes are important to note, in terms of understanding the changing nature of telecommunications price and expenditure.

Affordability of Telecommunications Services

ACCAN (2016, p.5) describe “affordability as a consumers’ ability to pay for and use telecommunications without sacrificing expenditure on other essential services and items”. The proportion of household income lower income households spend on essential items is an important measure of affordability (*as discussed on pages 21-22 above*). The fact that telecommunications expenditure is regressive - low income households spend proportionately more of their incomes than higher income households on this - suggests an affordability issue.

ACCAN point out, however, that “affordability is about more than just the monthly cost of a service” (ACCAN 2016, p.7), as a number of factors can influence affordability, and the value for money consumers receive these include “terms and conditions, payment methods, and up-front costs” (ACCAN 2016, p.7).

Price and Data changes for year ending June 2016: Impact on different consumer groups

The 2017 ACCC Report Competition into the Australian telecommunications sector Price changes for telecommunications services in Australia examined price and data changes for mobile phone and internet services in the past year – looking at different consumer groups – i.e. very low, low, average spending and high and very high spending consumers.

The data is very interesting as it shows that many services are structured in such a way that they benefit those who spend more, who it can be assumed, on the whole have more disposable income. In this way, lower income households are further disadvantaged. In addition, low spending (low income households) spend more as a proportion of their income on mobile phone and internet services, than higher income households.

Post-paid Mobile Services

Prices decreased very slightly across all consumer groups, **though the low and very low spending consumer groups benefited less** from the higher data inclusions in Post-paid mobile services (ACCC 2017a, p.100).

Prepaid Mobile Services

Higher spending consumer groups fared better than lower spending consumer groups, with a price decrease of 9.5% for the very high use consumer group, and between 3.0% and 2.4% for the average and high usage consumer groups respectively. On the other hand the decrease in price for the very low and low consumer groups was only 1% (ACCC 2017b). The low/very low

customer groups, however, are most likely better off than the previous year, given the overall fall in prices for prepaid mobiles (ACCC 2017a, p.100).

DSL Internet Services

- **Lower spending consumer groups fared worse** (with prices increasing slightly) while prices dropped for higher spending groups (ACCC 2017a, p.105).

National Broadband Network (NBN)

- **Lower spending consumer groups as well as the highest spending consumer group have seen a significant increase in expenditure since 2012-13** (ACCC 2017a, p.106).

These figures may have some implications for policy responses – in particular in terms of ensuring that all Australians can access an appropriate level of internet data at an affordable rate, to ensure full participation in the increasing number of services and activities that require people to be connected to the internet.

Pre-Paid Plans and Poverty Premiums

Ogle and Musolino (2016, p.23) reported that a common reason given by focus group participants for choosing a pre-paid plan is because “it allows them greater control and flexibility over their spend on telecommunications”. However, “such plans often have poverty premiums embedded through higher unit costs and hidden charges, and participants who relied on a pre-paid mobile phone also reported going for periods of time without the use of their phone when they ran out of credit and could not afford to top up”.

Ogle and Musolino, in referring to earlier work by SACOSS (2015, pp.9-11), define a poverty premium as “an extra cost which accrues to someone on a low income precisely because of their poverty” (Ogle & Musolino, 2016, p.37). These poverty premiums can be in the form of “fees and charges that are most likely to apply to those on low incomes, or extra costs because their inability to pay denies them access to things which would save money”. (Ogle & Musolino, 2016, p.37).

Specifically, in relation to products and services in the telecommunications market, poverty premiums can include:

- “Regressive supply charges (either explicit or hidden in mobile phone plans) which impact more on those on low incomes and make reducing expenditure difficult;
- Higher unit costs for small expenditures (i.e. less value for money);
- Pre-paid plans (which are often the choice of those without regular income; housing, or credit-worthiness) having less value for money than post-paid plans;
- Fees and charges for late payments or other misdemeanours arising from poverty” (SACOSS, 2015 cited in Ogle and Musolino, p.37).

SACOSS (2015) have highlighted that people who are vulnerable and disadvantaged, and who are unemployed, or have a poor credit history, or don't have a fixed address may not be able to access a post-paid mobile phone plan – or may be unwilling to do so. This means that “many vulnerable and disadvantaged people use pre-paid phones as the best or only option available” (SACOSS 2015, p.11). SACOSS (2015) highlighted the findings of the 2013 Anglicare Hardship Survey, which found that around “73% of clients who had a mobile phone were on pre-paid accounts” (Wise 2013, cited in SACOSS 2015, p.11).

Ogle and Musolino (2016) point out that “some indication of the extent of these poverty premiums was evident in the assessment of the value of internet expenditure in the ADII” (Ogle and Musolino 2016, p.37). In examining the ADII figures for income quintiles, they calculate that “on average those in the highest income bracket were getting approximately five times more value for money (amount of data per dollar spent) than those in the lowest income quintile” (Ogle and Musolino 2016, p.37²). *(See also discussion on the Australian Digital Inclusion Index on pages 28ff below)*

With the necessity to be connected to devices, as highlighted earlier, the need for a mobile phone and almost constant access to the internet or data, is essential. Nearly two-thirds of low income support recipients from the Mint Research survey sample population, ranked telecommunication costs in their “top five most important factors in their day to day household budgets” (Ogle and Musolino 2016, p.16).

Ogle and Musolino (2016, p.36) also argue that that the demand for data is also being driven by “predatory marketing practices with “free” introductory offers that habituate consumers to higher data needs”. Ogle and Musolino (2016, p.36) describe these excess data costs and charges as “a poverty premium which increase costs and decrease the value of telecommunications services”.

Lower income consumers will often take up pre-paid plans, to help keep their costs down, but these plans often have a high poverty premium, low data allowances on them – which can contribute to digital exclusion. Ogle and Musolino noted that “Many of the focus group participants reporting regularly running out of data” (Ogle and Musolino 2016, p.36).

It is critically important for low income households that they can individually manage their mobile phone, internet and data usage. This can be an issue for many people across the population – regardless of income level – but can especially impact low income consumers. By virtue of the fact that high income earners can afford to purchase post-paid plans that give far better value for money – and often with unlimited data usage, and with direct debits from their credit card (so no late payment fees) – they can avoid a number of the problems that can low income users face.

Ogle and Musolino identified a number of the problems common to low income consumers:

- “Less value for money in pre-paid plans
- Excess data fees and expensive additional data
- Payment via direct debit (often forced by service providers offering low budget plans) causing cash flow problems
- 28 day billing cycles causing cash management problems
- Lock-in contracts with high exit fees” (Ogle and Musolino, 2016, p.36).

SACOSS (2015, p.9) have highlighted that “the more you purchase, the cheaper the rate becomes – by virtue of getting greater value of services for each dollar spent”. Therefore, in trying to limit or reduce expenditure, people end up paying “much higher effective rates for the same services (i.e. phone calls or data downloads)”.

² For methodology see Ogle and Musolino (2016) report, p 37.

The Australian Digital Inclusion Index (ADII)

The Australian Digital Inclusion Index (ADII) is an index which focuses on “household and personal use of digital technologies” and was “created to measure the level of digital inclusion across the Australian population, and to monitor this level over time”, (Thomas, et al, 2016, p.6). The index focuses on three key areas, which taken together, measures provide a ‘unique, multi-faceted picture of digital inclusion’ (Thomas et al 2016, p.8).

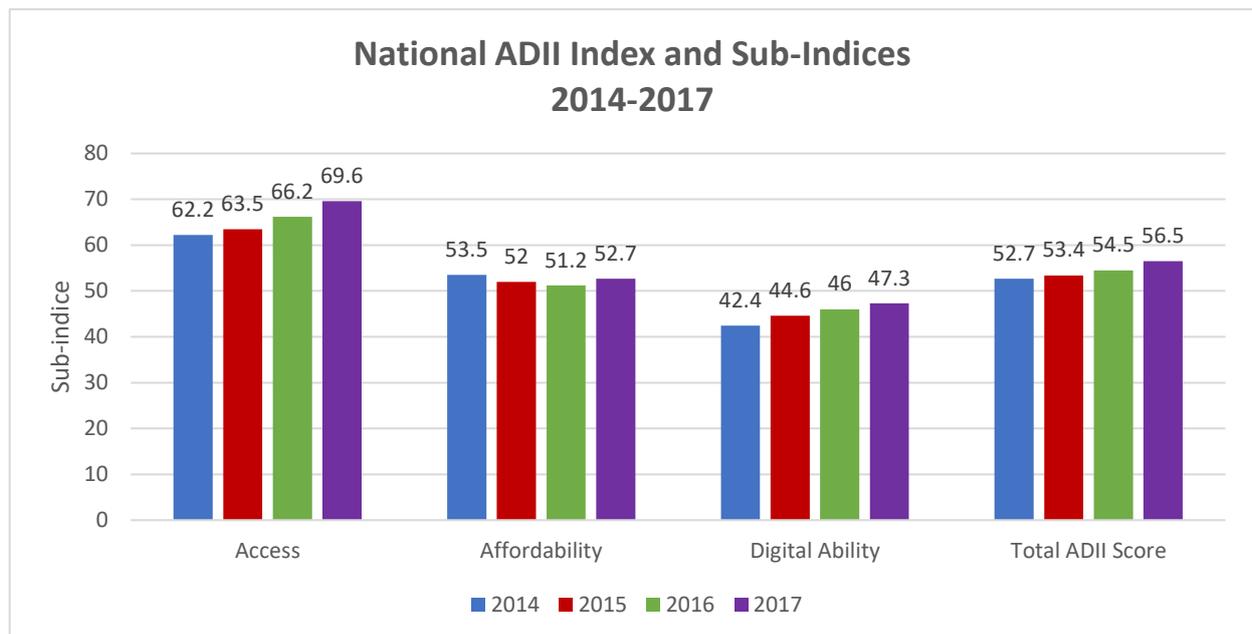
Access – which relates to how and where people access the internet, the kinds of devices they have, and how much data they use.

Affordability relates to how much data people get for their dollar, and how much they spend on internet services as a proportion of income.

Digital Ability relates to the skill levels of the consumer, what they actually do online, their attitudes towards technology, and confidence in using it (Thomas et al 2017, p.10).

Thomas et al (2016 pp. 5,6) describe digital inclusion in the following way: it “is based on the premise that everyone should be able to make full use of digital technologies – to manage their health and wellbeing, access education and services, organise their finances, and connect with family, friends and the world beyond... [it’s] about social and economic participation”.

Figure 9: National ADII and Sub-Indices: Changes between 2014 and 2017



Source: Thomas et al 2017a

The overall national ADII has risen steadily by 3.8 points since 2014, with steady growth in both the Access and Digital Ability sub-indices, meaning that the level of digital inclusion across the country is improving. ‘Australians are accessing the internet more often, using an increasingly diverse range of technologies, and with larger data plans than ever before’ (Thomas et al 2017a, p.5).

While Digital Ability has improved, it started from a low base, and Thomas et al assert that it “remains an important area for attention for policy makers, business, education, and community groups interested in improving digital inclusion” (Thomas et al 2017a, p,5).

The Affordability sub-indices, however, has not improved – in fact it has declined overall between April 2014 and March 2017, despite the fact ‘internet services are becoming less expensive’, e.g. the cost per gigabyte of data continues to fall (Thomas et al 2017a, p. 10).

It is not price rises that is leading to a decrease in affordability, as prices themselves have decreased, as the CPI data attests (see p. 23 above), but rather the fact that people are using more telecommunication services, leading to greater overall expenditure.

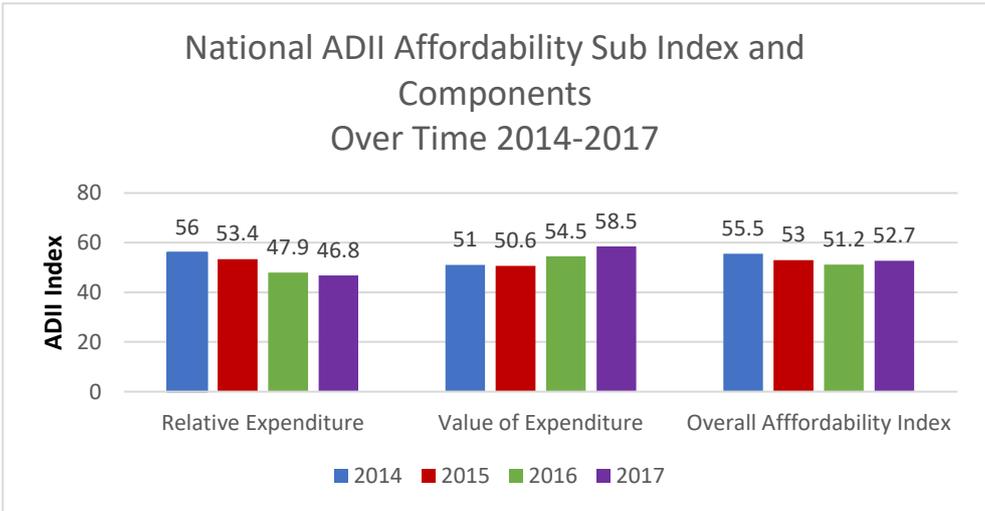
Despite the fact that there has been an improvement in the value of internet services, there has been an increase in the proportion of income that Australian households are now spending on internet services, with the proportion of household expenditure on internet services having risen from 1% to 1.19% between April 2014 and March 2017 (Thomas et al 2017a, p.5).

The decrease in affordability has coincided with the increase in the value of expenditure - which has increased steadily since 2015(see Figure 10 below), but the ADII for Relative Expenditure on internet access has fallen. The overall decrease in affordability is cause for some concern, and ‘particularly for people on low incomes’, because they have less discretionary income to spend (Thomas et al 2017a, p.10).

The overall Affordability score gap has widened in between 2016 and 2017 - for example for older people, and people on low incomes (Thomas et al 2017a, p.5,10).

The reality driving this decrease in affordability is that people are spending more on internet services – and spending more time accessing internet services. While the “cost per gigabyte of data continues to fall” (Thomas et al 2017a p.10), this is being offset by the increase in usage and the associated expenditure. As mentioned earlier in this report, the importance of the internet to daily life has grown significantly in recent years – reflected in higher expenditure.

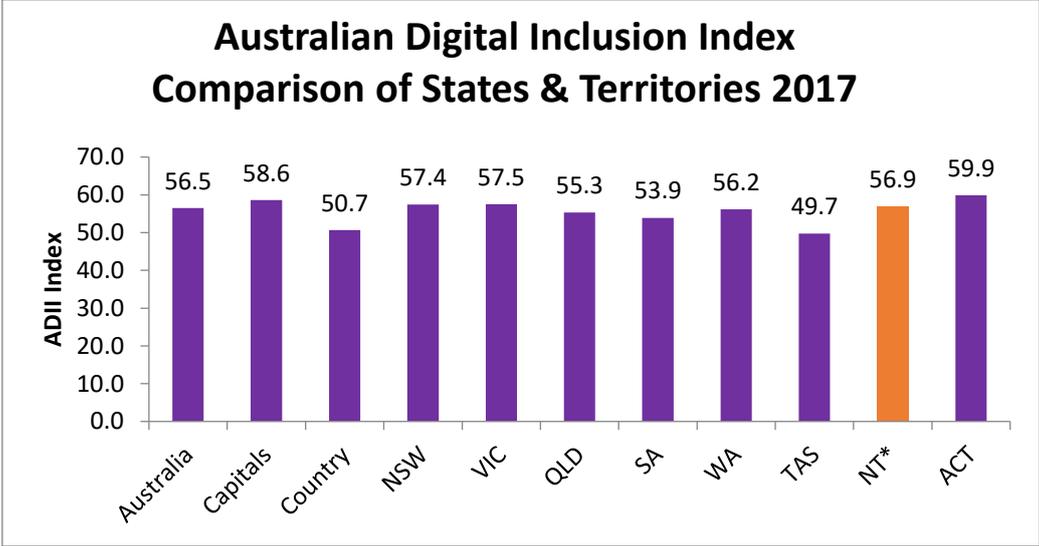
Figure 10: National Affordability ADII and Sub Categories: Changes between 2014 and 2017



Source: Thomas et al 2017a

The following figure shows the overall ADII scores for each state and territory – as well as the national average, capitals average and the country average. From this figure, the NT appears to be travelling reasonably well – above the national ADII score, and mid-range in comparison with the other states and Territories.

Figure 11: Australian Digital Inclusion Index: National Comparison



Source: Thomas et al 2017b

Limitations with the Northern Territory Data

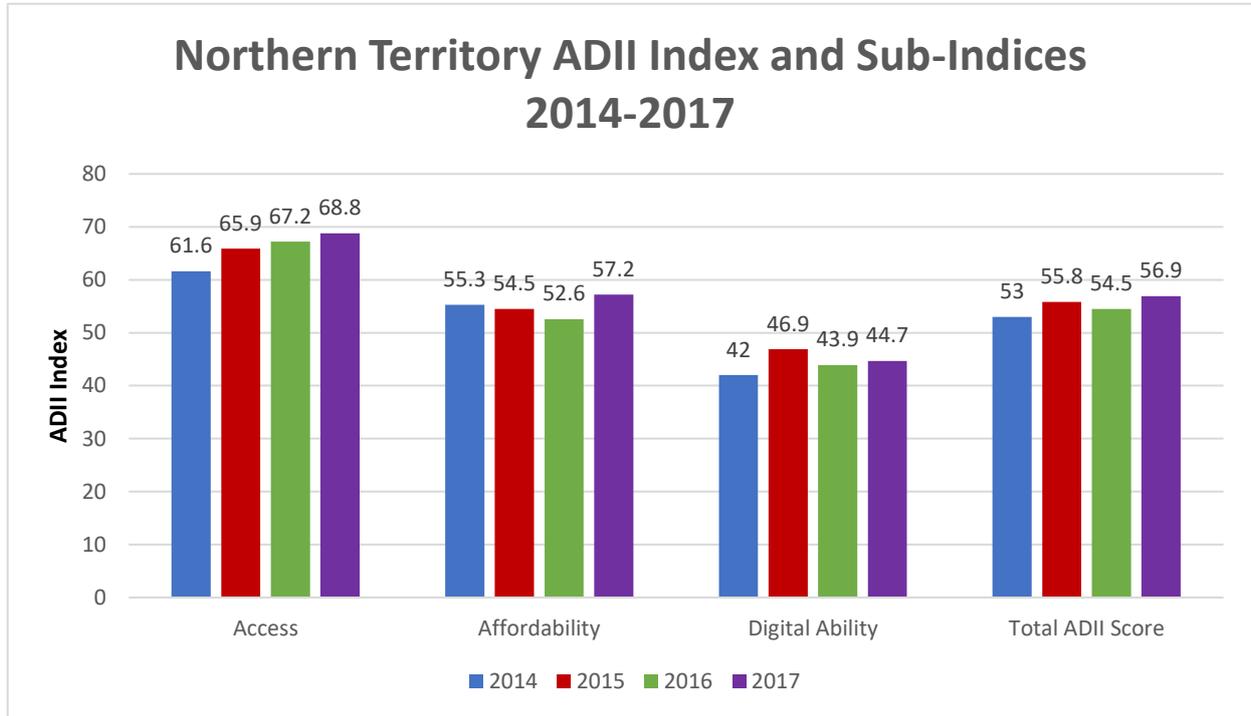
The report authors, state, however, that the results for the NT* must be interpreted with caution, due to the small and decreasing sample size in 2017 (less than 100 surveys) meaning

- there was no capacity to break down figures into demographic or sub-regional categories
- therefore “the aggregated figures may not reflect the considerable variations that exist between different communities within the broader NT population”
- In addition, remote Aboriginal communities were not included in the data collection (Thomas et al 2017a, p.41)

This means the seemingly relatively healthy ADII score for the NT does not reflect the reality across the whole of the NT where “geographic isolation and socioeconomic disadvantage pose real challenges for digital inclusion” (Thomas et al 2017, p.41). The report authors concluded that for the NT “More detailed research is required to gain a clearer understanding of digital inclusion in these remote communities” (Thomas et al 2017, p.41).

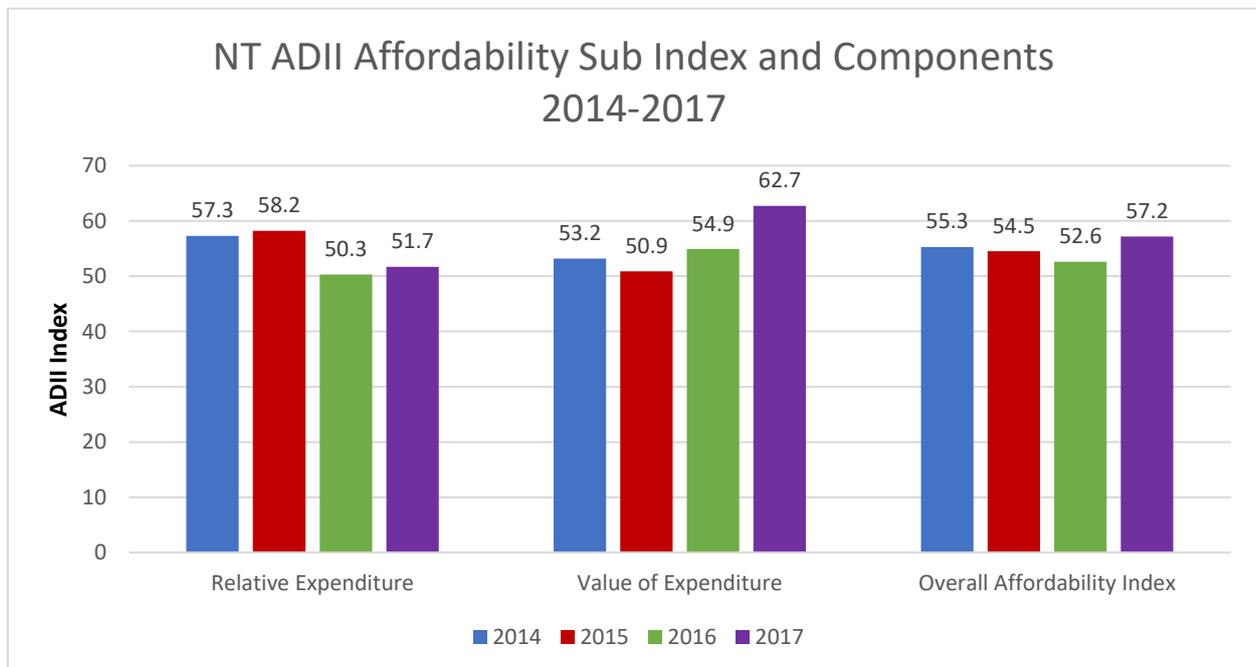
The report authors also noted that a “decrease in the number of surveys conducted annually in the NT over 2014–2017 has reduced the reliability of the dataset, and this may account for annual variations”, which can be seen in Figures 12 which shows the three sub-indices that contribute to the ADII index (Thomas et al 2017, p.41).

Figure 12: Northern Territory ADII and Sub-Indices: Changes between 2014 and 2017



Source: Thomas et al 2017b

Figure 13: Northern Territory Affordability ADII and Categories: Changes between 2014 and 2017



Source: Thomas et al 2017b

Since 2014, the overall ADII for the NT has risen 3.9 points. This rise is slightly above the national increase of 3.8 points over same period (Thomas et al 2017a, p. 20). The relatively

strong ADII figure in the NT (4th highest in the country) is driven primarily by the access score (68.8, just below the national average of 69.6), and also by Affordability (57.2), which is much higher than the national ADII of 52.7. The digital ability score for the NT, however, is quite low (44.7), and below the national figure (47.3) (Thomas et al 2017b).

Given the limitations of the data for the NT, particularly the fact that remote Aboriginal communities were not included in the data collection, it is important to look at other measures to determine if there are sectors of the population who are facing digital exclusion.

Particular Groups in the Population facing Digital Exclusion

The 2017 ADII report highlights a number of groups in the population who face digital exclusion, but whose scores will not be reflected in national or NT average figures. The following refers to national figures, as this data is not disaggregated for the NT population.

It is of extreme concern that digital services are the least affordable for households in the lowest income bracket in the country, and affordability has got worse over the last three years.

Lowest Income Earners (Lowest Quintile Income Group) have an overall ADII 41.1 ADII score, being 27 points below the highest income households (68.1), and the gap widening, despite the ADII for the lowest income quintile group having risen from 37.8 in 2014). Affordability is a particular concern for this group, with an Affordability ADII of 35.0, compared with the national average 52.7. Of most concern here is that this figure has decreased from 40.7 in 2014, so affordability is reducing for the lowest income group in the country (Thomas et al 2017a, p.15; Thomas et al 2017b).

Indigenous Australians have a low level of digital inclusion, with an ADII score of 49.5 (7.0 points below the national score of 56.5). While the ADII is improving, narrowing the gap, over the last four years, between Indigenous Australians and the overall national population, it is important this data does not include households in remote Indigenous communities. As the Thomas et al have noted, "...high levels of geographic isolation and socioeconomic disadvantage pose distinct challenges for digital inclusion" in remote Indigenous communities (2017a, p.15).

In relation to affordability, while it is only 45.7 in 2017, and has improved in each of the last 2 years, it has in fact decreased from the 2014 figure of 47.4 points, and the gap between affordability for Indigenous people and the overall Australian population has widened in this time, from 6.1 to 7.0 points. It is of particular that affordability is not improving for Indigenous people. At the same time Access and Ability have significantly improved for Indigenous people. (Thomas et al 2017a, p.16; Thomas et al 2017b).

Indigenous Australians are also over-represented in the mobile use only group (see below), a group which have an even lower overall ADII, and who have a very low Affordability score.

Mobile Only Users have an ADII of 42.3, which is 14 points below the national average of 56.5. In addition, they have an Affordability ADII of only 33.3. Thomas et al describe mobile only users as “a substantial minority of Australia’s population, [with] more than four million Australians – that’s one in five – only access[ing] the internet through a mobile phone or internet dongle with a data allowance” (Thomas et al 2017a, p. 6).

Indigenous Australians have an especially high level of mobile-only use for at 49% of the Indigenous population surveyed (compared with 21.3 of the total population), which doesn’t include remote Indigenous communities. It can be inferred that mobile-only use in remote Indigenous communities in the Northern Territory, and elsewhere in the country, is also likely to very high, meaning that levels of digital exclusion in remote Indigenous communities would be expected to be very high as well.

Mobile-only use is also “linked to socioeconomic factors, with people in low income households (29.8%), not employed (24.0%), and with low education levels (27.6%) more likely to be mobile-only” (Thomas et al 2017a, p. 23).

Older Australians have an ADII score of 42.9, which is almost 14 points below the national average, and of great concern this gap is widening (Thomas et al 2017a, p. 6,14).

People with disability have a low (47.0) but improving ADII score (p. 5). The report authors conclude that there are “as yet unidentified barriers to digital inclusion” for people with disability and noted “a need for accessibility training in the use of digital technology” (Thomas et al 2017a, p.19).

People in country areas – have a low ADII, with the affordability gap between country (50.7) and city (58.6) having widened over the last three years, with the gap now 7.9 points (Thomas et al 2017a, p.11)

In addition, digital exclusion is also faced by people **not in paid employment** (ADII 50.2) and those who **did not complete secondary school** (ADII 47.4) There are also **gender issues**, with women (ADII 55.5) having a score 2.0 points below that of men (57.5), with the gap widening for older age groups, especially for women aged over 65 (Thomas et al 2017a, p.6, 13).

Australians with a language other than English (LOTE) have an ADII score of 59.3, 2.8 points above the national average, but given the that the diversity within the LOTE community across the nation, the report authors suggest “care should be taken in interpreting findings”. (Thomas et al 2017a, p.15).

ACCAN (2016, p.5) in its Affordability Map report, identified a number of groups that face unique barriers to telecommunications affordability - similar to those identified as facing digital exclusion as measured by the ADII. Some other groups ACCAN identified, not specifically highlighted by the ADII data include:

- Students;
- People receiving the lowest government income support payments (Youth Allowance and Newstart Allowance);
- Migrants and asylum seekers;
- Prisoners; and
- People who live in social housing
- Older members of the population who live in retirement homes or in care
- Lone Parent families

Some of the issues identified include:

Older members of the population who live in retirement homes or in care, who are more likely to spend a large proportion of their pension on the cost of their care and accommodation (ACCAN, 2016, p. 11) – leaving little remaining money to afford telecommunications products and services

Homeless people: The 2014 joint ACCAN and University of Sydney ‘Homeless and Connected’ report: ‘Mobile phones and internet in the lives of homeless Australians’ identified that homeless people face significant costs in maintaining a mobile phone, averaging \$53 for a prepaid service, and \$72 for post-paid. Nearly half (45%) of the research participants who were homeless sometimes faced difficulties paying their phone bill, while “8% said it was difficult 4% said it was very difficult” (ACCAN 2016, p.11-12).

In addition, the ‘Homeless and connected’ report also identified the “burdensome cost of accessing government services using a mobile” for people who are homeless, with many homeless people facing mobile phone debt – especially families (ACCAN 2016, p.13).

Lone parent families were identified as facing affordability issues, given they were at high risk for living in poverty. The ABS General Social Survey (GSS) found that in 2014, 22% of lone parent families identified that there were barriers to accessing telecommunications services (22%). (ACCAN 2016, p.20).

Social housing tenants often face additional hurdles when trying to become connected to services such as broadband (e.g. costs for “modifications to the premises to ensure services function”, which can make “telecommunications connectivity less affordable for social housing tenants” (ACCAN 2016, p.20).

Australian Households without Home Internet Access

Despite the huge increase in internet and data usage, there are still a very large number of Australians who are actually not connected to the internet in their homes. In fact in 2014-15, 14% of Australian households - 1.3 million households – were without internet access at home (ABS 2016b).

The three main reasons given for not accessing the internet at home were:

- 'no need (63%)'
- 'lack of confidence or knowledge (22%)'
- 'cost (16%)' (ABS 2016a).

A determining factor as to whether a household had internet was the presence of children under 15 years in the household (ABS 2016b). For households with a child (ren) under 15, cost (43%) was the main reason given for not accessing the internet (ABS 2016b).

For those households without a child(ren) under 15 years, having no need for access (64%) was the main reason given for not accessing the internet (ABS 2016b).

Having no need for access to the internet at home was also the main reason given by both households in major cities (61%) and households in remote or very remote Australia (50%) (ABS 2016b).

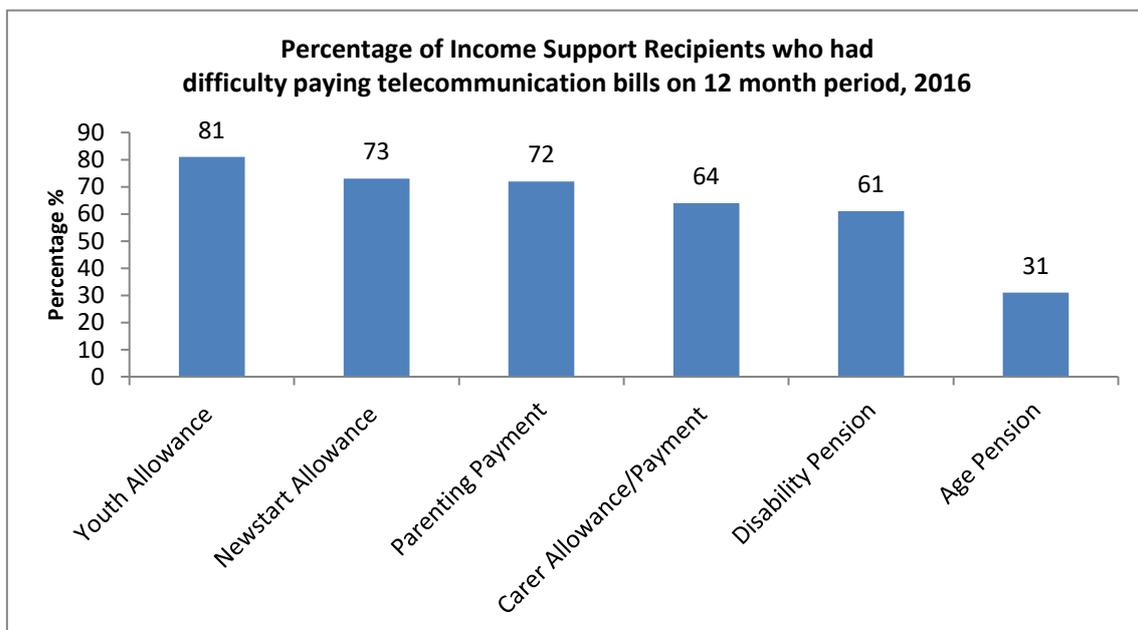
Structures and Features of Telecommunications Services

NTCOSS believes the structure and features of the telecommunication products and services most used by low-income consumers need to be examined and reformed. It is critical that these services are designed to be suitable and meet the affordability needs of low income consumers. Reforms would need to address the impacts of payment plans and billing practices.

Ogle & Musolino report that overall, 62% of the survey respondents in their study experienced 'either difficulty paying, having to cut back, or having to stop using one or more telecommunications services for financial reasons in the last 12 months' (Ogle & Musolino 2016, p. 15).

Figure 14, based on the survey sample population from the Mint Research (cited in Ogle and Musolino 2016), highlights the groups of people who are experiencing the most difficulty with paying their telecommunication bills (Ogle & Musolino (2016, p.18).

Figure 14: Income Support Recipients, Difficulty paying Telecommunications Bills 2016



Source: Adapted from Ogle & Musolino 2016, p. 18

From this figure it is evident that people on Newstart, Youth Allowance and Parenting Payment are most likely to have difficulty with paying, be cutting back or stopping their telecommunications services.

In addition, not all consumers are in a position to compare plans to get the best deal, so may end up paying far more than they need to.

The ACOSS Poverty in Australia 2016 report has highlighted that 55% of people on the Newstart Allowance and 50.6 of people on youth allowance are in poverty. This shouldn't come as a surprise at some levels, as this report highlighted earlier, the base payments for these allowances are below the poverty line (ACOSS 2016, p.13).

Ogle and Musolino (2016, p.18) report that Age Pensioners, according to the survey results, have the fewest problems with paying their bills (or having to cut back or stop a services). This seems to fit with the ADII data showing that while people on over the age of 65 (many on Age Pensions) score the lowest in terms of digital inclusion out of all age groups; in terms of relative expenditure (i.e. the share of household income spent on internet access), people aged 65+ (ADII 48.2) are actually doing better than the national average (46.8), though they are doing much worse in relation to the value of expenditure (45 vs national average of 58.5) (Thomas et al, 2017b).

Ogle and Musolino also identify specific household types who struggle the most in terms of paying for telecommunications bills, namely:

- Single parents living with children
- Couples with children (low income families)
- Mixed adult households (Ogle and Musolino 2016, p.19).

The Inadequacy of the Centrelink Telephone Allowance

The Centrelink Telephone Allowance (TAL) is a quarterly payment, paid through Centrelink to eligible beneficiaries and is designed “to assist with the cost of maintaining a telephone service—however, it is not paid to assist with the cost of telephone calls”.

The allowance available for “telephone subscribers who receive the Disability Support Pension and who are aged under 21 years without children and to Parenting Payment (Single) recipients who are under age pension age”. The TAL is also paid to telephone subscribers who receive certain social security allowance payments and are in specific circumstances’.

(Centrelink 2017, p.32).

There are two different rates of payment for the TAL, with the higher rate paid for home internet subscribers. The allowance “is shared between both members of an eligible couple” (Centrelink 2017, p.32). (Current rates shown in Table 7 below – compared with 5 years ago).

The TAL was initially established it was “structured around home landline technology” (Ogle and Musolino 2016, p.5), when a a landline was the only real option available for households. The developments over the past couple of decades in terms of mobile phone and internet communication devices and services means that there are now a suite of telecommunications options available – and, as discussed earlier, being connected to these has increasingly become essential in terms of accessing essential services like Government services (e.g. Centrelink, Taxation) as well as banking and communication for work and home life – and for remaining connected with society.

Ogle and Musolino (2016, p.23) assert that the TAL “has a complex eligibility criteria based on telecommunications being seen as an emergency function rather than an everyday essential service” – i.e. targeted to income support recipients where there are children or someone with disability. The South Australian Council of Social Service (SACOSS 2015, p.14) have argued that such a model excludes some of the poorest members in the community, such as job seekers requiring access to phone (or internet) services – and that such an emergency services model “fails to understand or address the increased importance of telecommunications to all aspects

of life in a modern society”. SACOSS (2015, p.14) also argued that the these exclusions seemingly contradict “Centrelink’s own moves to deal with these ‘clients’ by electronic means”.

In addition, it is people on the higher level income support payments (pensions, carer payments) who receive the higher level of the TAL payment; people receiving the lowest income support payments receive either the lower rate, or no TAL at all (e.g. recipients of Newstart, Youth Allowance or Parenting Payment (Ogle and Musolino, 2016, p. 23). Ogle and Musolino (2016, pp.23, 27) also argue that “There is little justification for this targeting in telecommunications usage patterns”, especially as “recipients of the Age Pension and Disability Support Pension have fewer devices per household”, compared with other household types.

The fact that the TAL is designed to assist mainly with the maintenance of a telephone service, and not call costs, does not reflect the current reality of people having a mobile phone and internet service – and not necessarily a landline. The base rate of the TAL, however, does not cover any costs associated with either of these devices.

The quarterly \$28.20 Centrelink Telephone Allowance (TAL) is totally inadequate for modern telecommunications needs. Fewer households have landlines, with many mobile phone only users, and in the past (when landlines were more common), the TAL was inadequate.

Table 7: Change in rate of payment of Telephone Allowance between 2012 – 2017

Yearly Rates	2012	2017	Yearly increase	% change b/w Sep 2012 – Sep 2017	Equivalent weekly rates	
					2012	2017
Base Rate of TAL	\$100.80	\$112.80	\$12.00	11.9%	\$1.94	\$2.17
Higher Rate of TAL	\$151.20	\$168.00	\$16.80	11.1%	\$2.91	\$3.23

Centrelink 2012 p.29; and 2017, p.32

In reviewing the Mint survey findings, Ogle and Mussolino found that the survey data was not able to provide clarity regarding what difference the TAL makes in terms of telecommunications affordability. Ogle and Musolino ascribed this to “poor targeting and differences in the base rate payments which impacted on the amount of money in the household budget generally” (Ogle and Musolino 2016, p.23).

It was found however, that under half of those who received the TAL were satisfied with the rate of the allowance” – with “an increase to \$60 per quarter the lowest figure the majority of respondents believed would make a difference to affordability” (Ogle and Musolino 2016, p. 23).

Ogle and Musolino (2016, p.34-35) recommended that *the TAL should:*

- *“aim to assist with access to mobile-phone communication and internet access with a reasonable call and data allowance;*
- *be available to all Centrelink recipients;*

- *have higher rates per child/dependant;*
- *be increased to a base rate of at least \$60 per quarter (\$20/month);*
- *be paid fortnightly or monthly.”*

Ogle and Musolino also recommended that in the context of the essential nature of telecommunications as a significant expenditure item, and the current inadequacy of the base level income support payments, ‘there should be a review of the adequacy of income support payments’, and the costs of telecommunications should be included in the consideration of essential household expenditures’. As part of this they also recommended that “If the costs of telecommunications are factored into setting genuinely liveable allowances, then there should be consideration of incorporating the CTA³ [TAL] into the expanded base level payment” (Ogle and Musolino 2016, p.34-35).

NTTCOSS supports the development of an appropriate level of assistance for telecommunications, reflective of current telecommunications usage needs and costs – whether included into expanded base level payments or as a separate and well-targeted concession to those income support recipients most in need; as part of a longer term plan to build a component of essential telecommunication costs (as part of essential household expenditure) into base level payments.

Limiting or Ceasing to use Telecommunication Services – ‘Hidden Disconnections’

Pre-paid mobile phone users whose credit runs out before their next pay will often go without access. It could be argued that running out of credit is a form of hidden disconnection, and this can occur multiple times to one individual over a relatively short period. In a sense it could be argued that this privatises the issue of hardship – as with prepaid mobiles there is no associated hardship policy – so people on low incomes may be stuck until their next pay day, before they can access credit again.

Going without phone access can lead to an exacerbation of debt situations, and can also make people feel further isolated from their community. With the need for both access to making phone calls and data, credit is used up more quickly now than it may have been five or so years ago.

Around half of the more than 500 Centrelink recipients and Low Income Health Care Card holders surveyed by Mint Research, said that they “always, usually or sometimes limit their use of a mobile phone”, while “just under half limited their use of a landline phone (43%) and the internet (41%), and 10% stopped using a landline altogether”, which is the “highest rate of stoppage of any important household expense”. As a comparison, only 3% of respondents reported having stopped using “their mobile phones or the internet for financial reasons” (Ogle and Musolino 2016, pp.4, 20,23).

³ Note: Ogle and Musolino refer to the TAL as the Centrelink Telephone Allowance throughout their report

The issue driving the financial hardship was not with the set up costs of the service, but rather with the ongoing costs of telecommunications. Across landline services, mobile phones with no data, and internet services, “on average more than twice as many respondents (b/ w 30-50%) reported difficulty with ongoing costs compared with up-front costs (b/w 10-20%)” (Ogle and Musolino 2016, p.17).

The implications of reducing usage for Low Income Households

Limiting usage puts people at risk of not being able to do essential activities like look for work, study, and access Centrelink – all of which have long term economic consequences for those already struggling. (Ogle & Musolino 2016, p.20), as well as possible impacts leading to stress and social isolation.

For people reliant on income support, the impacts of going without phone and internet access can be particularly severe, as without data or credit to report income to Centrelink, people risk not being paid. “This means that people are ‘forced to cut back on other essential items (such as food, energy or social activities)’, or “they may risk falling into debt and deepening their financial hardship in order to continue to use their telecommunications”. (Ogle & Musolino 2016, p.20).

Ogle and Musolino (2016, p.21) also point out that the costs of limiting or cutting back access to this technology are not just financial but can have implications on people’s ability to be connected and socially included where they live.

Ogle and Musolino (2016, p.20) pointed out that a further way that people may limit usage is by limiting the number of devices they had. The Anglicare Hardship Survey (2013) found that 45% of their clients had only one device. One of the consequences of only having a mobile phone, for example, and not having internet at home, is where people require access to data, they are forced to use the relatively more expensive option of accessing data via their phone.

Bill Shock and Accrual of Debts

SACOSS (2013, p.4) has pointed out that like other utilities, “telecommunications bills often involve complex lock-in contracts and are a lumpy expenditure which can (depending on contracts, billing arrangements and usage) be hard to predict and budget for” – and this could lead to “bill shock” for some consumers.

ACCAN conducted a national survey in 2012 and the results in the previous 12 month period:

- 17% of respondents had had unexpectedly high bills
- 9% of respondents had experienced hardship as a result of a bill from a service provider.
- 5% of respondents had had their service disconnected
- Younger people (18-34 y.o.) were more likely to have had their service disconnected’ (11% compared with the overall 5%)
- Younger people (18-34 y.o.) were also more likely to have been referred to debt collectors (3% compared with the overall 1%) (ACCAN, 2012, p 59, 75).

Difficulty negotiation the myriad of choices of Telecommunication Services and Plans

There seems to be an assumption that people have the time and the skills – which often require a level of sophistication – to engage with telecommunications retailers as a well informed and astute consumer. It is not always simple for people to work out what telecommunications service plan is the one that will best meet their needs at a price that they can afford. There is a need for better information provision to enable people to make an informed choice about a service plan.

The need to increase the affordability of Internet Services

Ogle and Musolino (2016) made several recommendations in their report, including arguing the case for “more data on low cost plans”, and “products and plans” which will “provide adequate data at the same per unit price that applies in higher cost plans”(Ogle and Musolino 2016, p.53 (Rec 2)).

As Morsillo (2012, p.11) noted, in the *Telecommunications Journal of Australia*, there are good economic and social reasons to reduce the cost of internet services. Morsillo describes potential social return on the investment of “connecting a person on a low income to a stable broadband service” with improved social outcomes that could follow – such as in “health, education, employment and family relationships.”

Protections for Consumers of Telecommunications Services

There have been some relatively recent improvements in terms of protections for consumers - such as the requirement since September 2013, for telecommunications companies to provide “spend management alerts” for telco consumers, and a range of other tools (ACMA 2017).

These alerts followed the registration of the Telecommunications Consumer Protections (TCP) Code, by the Australian Communication and Media Authority (ACMA), which occurred in September 2013.

Ogle and Musolino, however, have pointed out that focus group participants from the survey sample population in their research identified a “difficulty in accessing hardship programs”, and a “lack of transparency in plan costs and conditions” as problems for low income consumers” (Ogle and Musolino 2016, p. 36, 50).

The requirement for the spend management alerts has certainly been a welcome one, however SACOSS (2015, p.12) have pointed to some limitations in the system – including the 48 hour time lag in notifications and the fact that not all services (such as overseas usage) are covered - meaning that there is still the risk of bill shock occurring.

The Telstra Universal Services Obligation (TUSO) is a legislative requirement to provide a *standard telephone service* (or plain old telephone service) to all premises in Australia, and payphones that are generally accessible. It remains focused on the delivery of fixed-voice handsets and voice calls over fixed-line copper connections (Productivity Commission 2016, p.7).

The Productivity Commission (2016, p. 7) has suggested that: “While these services are still valued by some users, the demand for TUSO services is clearly falling, while consumer needs are overwhelmingly being met by a wide range of digital technologies and applications”, and they suggest there may be more cost effective ways of “meeting genuine community needs and expectations”.

The Productivity Commission have also asserted that once the NBN is fully rolled out, “gaps in availability, accessibility or affordability for consumers...are likely to be small and concentrated’ (Productivity Commission 2016, p.2). The Productivity Commission (2016, p. 2) has also suggested that “specific social programs’ would be more appropriate to addressing what gaps remain, rather than “large scale government interventions such as the TUSO”.

The Productivity Commission points to a lack of transparency and accountability in the current arrangements with Telstra, and the fact that “basic phones and payphones are rapidly becoming outdated” (Productivity Commission 2016, p.8) as reasons for altering the current arrangements to better suit the telecommunications landscape we now have – particularly with the NBN rollout underway.

“The Commission considers that the universal service policy objective can be reframed to provide a *baseline* broadband service to all premises in Australia, having regard to its *accessibility* and *affordability*”, which they believe “would encapsulate access to the internet *and* to voice services given that the internet will increasingly be the medium through which voice communication is delivered” (Productivity Commission 2016, p.8).

Rather than seeing the consumer protections currently in the TUSO transferred across to the NBN, however, NTCOSS would prefer to see some broad discussion about bringing about improvements to the current TUSO arrangements and putting in place Universal Service Obligations for all telecommunications providers, rather than just one provider. The Productivity Commission (2016) concludes with the following quote:

“There are currently several measures that directly seek to address *affordability*, including measures as part of Telstra’s carrier licence conditions, and the Australian Government’s Telephone Allowance. However, as NBN infrastructure becomes the

primary channel for the delivery of universal broadband and voice services, the effectiveness of these measures should be reassessed as part a broad-ranging review of consumer safeguards. In principle, *affordability* is more effectively addressed through transfer payments under the tax-welfare system than through cross-subsidies”.

Currently however, the tax welfare system is not addressing telecommunications affordability issues – highlighted by the issues with the telephone allowance. NTCOSS therefore urges further reforms in relation to base payment levels for particular income support recipients, and/or concessions which will reflect the real telecommunications expenditure pressures for income support recipients.

RECOMMENDATIONS

A number of recommendations are suggested for the Northern Territory to consider.

1. Reforms be made to the suitability of the structure and features of the telecommunication products and services most used by low-income consumers – including addressing the impacts of payment plans and billing - in order to address affordability and value for money issues for low-income consumers, specifically:
 - More data on low cost plans, and
 - Products and plans providing adequate data at the same per unit price that applies in higher cost plans

The following recommendations are informed by Thomas et al's suggestions regarding areas for further action (2017 p.42)

2. Make Digital Ability should be an important focus area for policy makers, business, the education sector, and community groups
3. Make the websites of essential service providers and government agencies accessible and easy to navigate for mobile-only internet users
4. Support research which develops aggregated data that reflect experiences of particular populations who currently face high levels of digital exclusion – e.g. Indigenous communities, people with a disability, senior Territorians
5. Develop regional and local initiatives will be central in tackling the geographic and social challenges of digital inclusion faced by specific population groups (link with 3.)

In addition, NTCOSS

6. Urges the Commonwealth Government to increase the base rate Allowance payments, such as Newstart, Youth Allowance and Widow Allowance, by \$50 per week.
7. Echoes the call from SACOSS and ACCAN (Ogle & Musolino 2016, p.56) for reform of the Centrelink Telephone Allowance (TAL), so that it reflects the usage and demands of modern telecommunications usage and demands. As part of this SACOSS argues that consideration should be given to the place of the TAL in the income support system. SACOSS and ACCAN have specifically recommended, “in the first instance, that an upgraded TAL should 6a):
 - aim to assist with access to mobile-phone communication and internet access with a reasonable call and data allowance;
 - be available to all Centrelink recipients;
 - have higher rates per child/dependant;
 - be increased to a base rate of at least \$60 per quarter (\$20/month);
 - be paid fortnightly or monthly” (Ogle & Musolino 2016, p.56)

And, secondly, 6b):

- review “the adequacy of income support payments, and the costs of telecommunications should be included in the consideration of essential household expenditures, with “consideration of incorporating the CTA into the expanded base level payments” (Ogle & Musolino 2016, p.56)

APPENDICES

Appendix A: CPI Changes, Expenditure Type Darwin vs National – over the past quarter and past year

This table shows the trends in the CPI for all of the 11 CPI categories measured by the ABS quarterly and over the past year.

Cost of Living area	Darwin CPI		National CPI	
	Last Quarter Jun 2017- Sep 2017 % Change	Past Year Sep 2016 – Sep 2017 % change	Last Quarter Jun 2017- Sep 2017 % Change	Past Year Sep 2016 – Sep 2017 % change
Food & Non-Alcoholic Beverages	-0.8%	-1.3%	-0.9%	-0.7%
Meat and seafood	0.4%	-1.7%	0.2%	0.4%
Dairy & related products	0.8%	-1.1%	-0.2%	-1.5%
Fruit	2.7%	-9.5%	0.8%	-10.3%
Vegetables	-9.2%	-6.2%	-10.9%	-6.5%
Alcohol & Tobacco	2.3%	5.1%	2.2%	7.0%
Alcohol	0.6%	1.6%	0.5%	1.6%
Tobacco	4.5%	10.1%	4.1%	14.1%
Clothing & Footwear	0.1%	-0.8%	-0.9%	-3.2%
Housing (includes utilities)	-0.3%	-1.5%	1.9%	3.3%
Rents	-1.9%	-6.8%	0.2%	0.5%
New dwelling purchase	0.1%	0.5%	0.8%	3.1%
Utilities	0.5%	0.6%	6.8%	8.9%
<i>Water & Sewerage</i>	0.5%	0.5%	3.2%	3.2%
<i>Electricity</i>	0.5%	0.5%	8.9%	11.5%
<i>Gas and other household fuels</i>	4.2 %	5.0%	5.2%	8.2%
Furnishings, household equipment & services	-0.1%	-0.8%	0.4%	-0.8%
Health	-0.2%	3.6%	-0.2%	3.9%
Medical Dental and hospital services	-0.1%	4.7%	-0.1%	4.8%
<i>Medical and hospital services</i>	-0.1%	5.3%	-0.1%	5.4%
<i>Dental services</i>	0.0%	1.4%	0.2%	1.0%
Transport	1.8%	4.4%	0.0%	2.7%
Automotive Fuel	-1.2%	10.1%	-2.3%	7.5%
Urban transport fares (public transport)	0.0%	0.0%	1.2%	2.4%
Communication	-1.7%	-3.5%	-1.4%	-2.9%
Telecommunication equipment & Services	-1.8%	-3.8%	-1.5%	-3.2%
Recreation & culture	3.0%	1.1%	1.3%	0.6%
Audio, visual, computing equipment & services	-0.1%	-2.6%	1.2%	-1.8%
<i>Audio, visual and computing equipment</i>	-3.8%	-9.3%	-1.8%	-7.0%
<i>Audio, visual and computing media and services</i>	3.5%	5.3%	3.9%	3.2%
Education	0.0%	2.7%	0.0%	3.1%
Insurance & financial services	1.4%	1.7%	0.6%	1.8%
Insurance	1.5%	2.0%	1.9%	3.7%
CPI All Groups	0.6%	0.6%	0.6%	1.8%

Source: ABS 2017d and ABS 2017e 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. 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 2017c).

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 2017c).

“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 2017c).

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, 2017c). 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. 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).

4. 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).¹⁰

“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.*

5. The CPI and Telecommunications

It is important to note that the Telecommunications Equipment and Services CPI sub category sits under the broad category of Communications, along with Postal Services. The Telecommunications sub-index is not further broken down into the various components of telecommunications. The majority of telecommunications hardware is contained within the CPI Telecommunications Equipment and Services sub category, but there are others which are contained with the Audio, visual and computing equipment sub category (which sits under the broader Recreation and culture category). (ABS 2017e,

Data 5). It is not possible therefore with the CPI figures to distinguish between telecommunications hardware/capital and ongoing telecommunication services.

CPI Categories and Sub Categories for Telecommunications

This information is taken from the List of Goods and Services priced for the CPI, and shows the types of goods and services which make up ‘Telecommunications’ under the categories of ‘Communication’ and ‘Recreation and Culture’.

‘COMMUNICATION

Communication

Telecommunication equipment and services	Purchases and repair of telephones, telephone-answering machines; mobile phones; devices with several functions but mainly used for telephone functionalities; installation and subscription costs of telephone equipment; local, regional, national and international calls from fixed and mobile telephones (includes voice, video calls, written and image messages); internet and broadband services’
--	---

‘RECREATION AND CULTURE

Audio, visual and computing equipment and services

Audio, visual and computing equipment	Television sets; video recorder; DVD player; home theatre systems; radios, CD players, portable sound and vision devices, E-book reader; cameras; optical instruments; desktop and laptop computers, printers; calculators
Audio, visual and computing media and services	Media including blank and pre-recorded DVDs, CDS, Blu ray discs; memory cards and sticks; unexposed films and discs for photographic use; computer software; video tape and DVD rental; pay television; repair of audio, visual and computer equipment’

ABS 2011b, p.33

6. Conversion of historical Household Expenditure Figures into Constant Dollars

The figures in Table (Australia) and Table (NT) are calculated by using historical HES figures from the 198/99, 2003/04 and 2009/10 surveys and using the ABS CPI Inflation Calculator, which enables a calculation of how much purchasing power has changed over time. The expenditure amounts from the previous HES figures are converted into December 2015 dollars – to allow for a comparison with the most recent HES figures (2015/16). (ABS 2017h).

<http://www.abs.gov.au/websitedbs/d3310114.nsf/home/Consumer+Price+Index+Inflation+Calculator>

“This application uses data from the Australian Bureau of Statistics publication Consumer Price Index (Cat. no. 6401.0) for Quarterly indexes and Consumer Price Index: Concepts, Sources and Methods (Cat. no. 6461.0) for Annual indexes to demonstrate the change in purchasing power of an amount of money between two chosen dates. The difference shown between the user's input value and what the CPI Inflation Calculator outputs demonstrates the effect of inflation over time” (ABS 2017h).

ABS Disclaimer: The ABS has the following disclaimer about the use of the calculator

“The results produced by this Calculator are intended as guides only and should not be regarded as official Australian Bureau of Statistics (ABS) calculations. While every effort has been made by the ABS

to ensure that the data and formulae used to generate the results are accurate, the ABS accepts no liability or responsibility for the resulting calculations. The ABS recommends that users exercise their own care and judgment with respect to the Calculator's use, and interpretation of its results.”

(ABS 2017h).

7. The Australian Digital Inclusion Index (ADII)

In 2016, the ‘Measuring Australia’s Digital Divide’ report was released, which was a collaborative effort between the Swinburne University of Technology, Telstra, and Roy Morgan Research. This collaborative partnership developed what is called the Australian Digital Inclusion Index (ADII) which is a measure of the online participation of Australians in all States and Territories

The ADII was “created to measure the level of digital inclusion across the Australian population, and to monitor this level over time” and is focused on “household and personal use of digital technologies” (Thomas et al 2016, p.6).

The Index focused on ‘three vital dimensions [sub-indices] of digital inclusion’ showing how they change over time, ‘according to social and economic circumstances, and across geographic locations’ (Thomas et al, 2016, p.42). Each of the three sub-indices is made up of various components, which are in turn built up from underlying variables (survey questions).

The Access sub-index has *three components*:

- Internet Access: frequency, places, and number of access points
- Internet Technology: computers, mobile phones, mobile broadband, and fixed broadband
- Internet Data Allowance: mobile and fixed internet.

The Affordability sub-index has *two components*:

- Relative Expenditure: share of household income spent on internet access
- Value of Expenditure: total internet data allowance per dollar of expenditure.

The Digital Ability sub-index has *three components*:

- Attitudes, including notions of control, enthusiasm, learning, and confidence
- Basic Skills, including mobile phone, banking, shopping, community, and information skills
- Activities, including accessing content, communication, transaction, commerce, media, and information. (Thomas et al 2016, p.7)

Scores are allocated to specific regions and demographic groups, over three years” - 2014, 2015, 2016 (Thomas et al 2016, p.5), with the higher the score the higher the digital inclusion of a particular cohort of the population.

The ADII (‘the Index’) compiles numerous variables into a score ranging from 0 to 100. Higher scores mean higher levels of inclusion. Scores are benchmarked against a ‘perfectly digitally included’ individual – a hypothetical person who scores in the highest range for every variable. ‘This individual:

- accesses the internet daily, both at home and away
- owns multiple internet products, including a PC or tablet
- owns a mobile phone, with data, on the 4G network
- has a fixed broadband connection (cable or NBN)
- has a mobile and fixed internet data allowance greater than our benchmarks
- spends less money on the internet (as a proportion of household income) and receives more value (data allowance per dollar) than our benchmarks, and
- exhibits all the positive attitudes, basic skills, and activity involvement listed.’

(Thomas et al 2016, p.7)

8. The Australian Competition and Consumer Commission (ACCC) Data

The ACCC is required to report each year to the Minister for Communications on prices paid by Australian consumers for telecommunications services. The ACCC fulfils this requirement by reporting on how real prices (which take inflation into account) have changed for Australian consumers of fixed line voice, mobile, and internet services. The ACCC's approach involves calculating a telecommunications service index, which is comprised of sub-indices relating to fixed line voice, mobile and internet services (ACCC 2017, p.83).

9. Calculations used for Weekly payment rates

Table 8a Weekly Payment Rates at 19 Sept 2016

	Base Rate	Pension Supp	Energy Supp*	FTB A Child u13	FTB A Child 13-15	FTB B	Pharma Benefit	TOTAL PAYMENT
Aged Pension (single)	\$397.40	\$32.50	\$7.05					\$436.95
Newstart (single, no children)	\$263.80		\$4.40					\$268.20
Newstart (single, 2 children)	\$285.40		\$4.75	\$89.88	\$116.97	\$53.41	\$3.10	\$553.51
Youth Allowance (single, no children; living away from home)	\$216.60		\$3.50					\$220.10

Table 8b: Weekly Payment Rates at 19 Sept 2017

	Base Rate	Pension Supp	Energy Supp*	FTB A Child u13	FTB A Child 13-15	FTB B	Pharma Benefit	TOTAL PAYMENT
Aged Pension (single)	\$404.15	\$32.95	\$7.05					\$444.15
Newstart (single, no children)	\$267.80		\$4.40					\$272.20
Newstart (single, 2 children)	\$289.65		\$4.75	\$91.42	\$118.94	\$54.32	\$3.10	\$561.43
Youth Allowance (single, no children; living away from home)	\$218.75		\$3.50					\$222.25

Sources: Centrelink 2016 p. 2, 5, 13, 24, 26, 32, 37, 38; Centrelink 2017, p. 2, 5, 13, 25, 27, 32, 33, 38, 39. 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.

REFERENCES

- ABC 2013, Lateline, Older Australians struggling on Newstart await better life on age pension', 28 October 2013, Accessed from ABC Website 30 August 2017. <http://www.abc.net.au/news/2013-10-28/australians-on-newstart-await-better-life-on-age-pension/5051082>
- ABC 2014, 'Single parents on Newstart allowance reveal decline in nutrition, mental health and large debts, ABC Online, 5 February, 2014. Accessed from ABC Website 30 August 2017. <http://www.abc.net.au/news/2014-02-05/single-parents-moved-onto-newstart-suffering-poor-nutrition/5239702>
- ABS (2000) *Household Expenditure Survey, Australia: Detailed Expenditure Items, 1998-99*, Australian Bureau of Statistics, Canberra, Table 5.
- ABS (2006), *Household Expenditure Survey, Australia: Detailed Expenditure Items, 2003-04*, (Re-issue) Australian Bureau of Statistics, Canberra, Table 5, 8.
- ABS 2011a, *Household Expenditure Survey, Australia: Detailed Expenditure Items, 2009-10*, Australian Bureau of Statistics, Canberra, Table 23A, 27A.
- ABS 2011b *Consumer Price Index 6440.0 - A Guide to the Consumer Price Index: 16th Series*, 2011, Australian Bureau of Statistics, Canberra, ACT p.33.
- ABS 2016a *Internet Activity Australia*, June 2016, Australian Bureau of Statistics, Canberra, ACT 'Type of access connection'; and 'Volume of data downloaded', and 'Mobile handset subscribers' pages, Website accessed 11 March 2017. <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8153.0>
- ABS 2016b *Household Use of Information Technology, Australia, 2014-15* Australian Bureau of Statistics, Canberra, ACT, Website accessed 23 March 2017 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8146.0>
- ABS 2017a, *Selected Living Cost Indexes, Australia, SEPTEMBER 2017 KEY FIGURES, September 2017*, Australian Bureau of Statistics, Canberra.
- ABS 2017b, *Selected Living Cost Indexes, Australia September 2017, MAIN CONTRIBUTORS TO CHANGE*, Australian Bureau of Statistics, Canberra.
- ABS 2017c *Selected Living Cost Indexes, Australia, September 2017: Explanatory Notes, Key Figures*, Australian Bureau of Statistics, Canberra.
- ABS 2017d, *Consumer Price Index, Australia, September 2017. Table 10, CPI: Group, Sub-group and Expenditure Class, Percentage change from corresponding quarter of previous year by Capital City*, Australian Bureau of Statistics, Canberra.
- ABS 2017e, *Consumer Price Index, Australia, September 2017. Table 11, CPI: Group, Sub-group and Expenditure Class, Percentage change from previous quarter by Capital City*, Australian Bureau of Statistics, Canberra.
- ABS 2017f, Job Vacancies, Australia, Aug 2017 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6354.0>
- ABS (2017g), *Household Expenditure Survey, Australia: Detailed Expenditure Items, 2015-16*, Australian Bureau of Statistics, Canberra, Tables 4.2A, 4.3A, 5.3A, 8.3A, 9.3A, 13.3A, 13.9A.
- ABS (2017h), Tax Calculator, accessed on ABS Website, 22 November 2017 <http://www.abs.gov.au/websitedbs/d3310114.nsf/home/Consumer+Price+Index+Inflation+> Australian Competition and Consumer Commission (ACCC) 2017 Competition in the Australian telecommunications sector Price changes for telecommunications services in Australia, February 2017 Canberra, Australian Capital Territory, pp.6th page (un-numbered), 1, 4, 9 83, 96, 100, 105, 106.

Australian Communications and Media Authority (ACMA) 2017 Telcos help avoid bill shock, Media release 62/2013 - 28 August, ACMA Website accessed 22 March 2017.
<http://www.acma.gov.au/Industry/Telco/Reconnecting-the-customer/TCP-code/telco-consumers-get-help-to-avoid-bill-shock>

Australian Communications Consumer Action Network (ACCAN) 2012, *National Consumer Perceptions Survey 2012*, Australian Communications Consumer Action Network, Sydney, NSW, pp. 59, 75.

Australian Communications Consumer Action Network (ACCAN) 2016 Affordability Map A resource to inform the development of targeted affordability measures in the Australian telecommunications environment, Australian Communications Consumer Action Network, Sydney, New South Wales, June 2016, pp. 5, 7, 11-17, 20.

Australian Council of Social Service (ACOSS) 2016, *Poverty in Australia Report*, p. 13.

Australian Council of Social Service (ACOSS) 2017 Media Release, 23 August 2017, 'The cost of living a decent life: new report highlights the inadequacies of income support for low-paid and unemployed Australians', Accessed from ACOSS Website 25 August 2017

http://www.acoss.org.au/media-releases/?media_release=the-cost-of-living-a-decent-life-new-report-highlights-the-inadequacies-of-income-support-for-low-paid-and-unemployed-australians

Australian Government 2017a, DSS PAYMENTS DSS Payments by 2016 Commonwealth Electorate Divisions (CED) January 2017-June 2017
<https://data.gov.au/dataset/dss-payment-demographic-data/resource/0457422b-f338-4dd8-82b7-35a5d97f798d>

Australian Government 2017b DSS – DSS Payment Demographic Data - Partial Capacity to Work, January 2017-June 2017 <http://data.gov.au/dataset/dss-payment-demographic-data>

Centrelink 2012, *A Guide to Australian Government Payments*, released quarterly. Australian Government, Canberra, 1 July - 19 September 2016, p 29.

Centrelink 2016, *A Guide to Australian Government Payments*, released quarterly. Australian Government, Canberra, 1 July - 19 September 2016, pp. 2, 5, 13, 23, 25, 30, 35.

Centrelink 2017, *A Guide to Australian Government Payments*, released quarterly. Australian Government, Canberra, 1 July - 19 September 2017, Canberra, ACT, pp. 2, 5, 12, 23, 26, 32, 37.

Fair Work Commission 2017, *Awards and Agreements: National Minimum Wage Orders*, accessed November 23 2017. <https://www.fwc.gov.au/awards-and-agreements/minimum-wages-conditions/national-minimum-wage-orders>

Jabour (2015), Jabour, Bridie 'Newstart becomes de facto disability pension for 25% of claimants', *The Guardian*, 16 July 2015.
<https://www.theguardian.com/australia-news/2015/jul/16/newstart-becomes-de-facto-disability-pension-for-25-of-claimants>

Karvelas, P. (2014), Karvelas, Patricia, 'One in four on newstart has a significant disability' *The Australian*, 3 October 2014. <http://unemployedworkersunion.com/one-four-newstart-allowance-significant-disabili/>

Martin (2017), Martin, S. 'The Australian Budget 2017: Welfare hit to target 'cheats'', *The Australian*, 1 May 2017.
<http://www.theaustralian.com.au/national-affairs/industrial-relations/budget-2017-welfare-hit-to-target-cheats/news-story/afbde0210f0ad6ba188f81927ba668f1>

Minister for Communications (2015). *Investing in digital transformation*. Retrieved May 11, 2015, Accessed by SASCOSS from <http://www.malcolmturnbull.com.au/media/release-investing-indigital-Transformation>, but no longer available.

Morsillo, R. (2012). Affordable Broadband for All Australians. *Telecommunications Journal of Australia*, 62(5), p.12.

NTCOSS 2016, Northern Territory Council of Social Service, Cost of Living Report, Tracking changes in the cost of living, particularly for vulnerable and disadvantaged Northern Territorians: A ten year snapshot of price changes, Issue No. 12, June 2016, Darwin NT.

Ogle, G. & Musolino, V. 2016, *Connectivity Costs: Telecommunications Affordability for Low Income Australians*, Australian Communications Consumer Action Network, Sydney, pp. 4, 5, 10, 14-21, 23, 27, 34-37, 50.

Parliamentary Library 2014, Flagpost Information and research from the Parliamentary Library, 'Pension Indexation a brief history'.
http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2014/April/Pension-indexation

Phillips, B Research Note: Household Energy Costs in Australia 2006 to 2016, Australian National University (ANU) Centre for Social Research and Methods, Canberra, ACT, February 2017, p. 4-5.

Productivity Commission (2016), Telecommunications Universal Service Obligation, Draft Report Overview, Australian Government, Canberra ACT, November 2016, pp. 2, 7-8, 14.

Saunders, P. and Wong, M. (2012), *Promoting Inclusion and Combating Deprivation: Recent Changes in Social Disadvantage in Australia*: Social Policy Research Centre, University of New South Wales, Sydney, NSW, p.34.

South Australian Council of Social Service (SACOSS) 2013, SACOSS *Cost of Living Update, No. 15*, June Quarter 2013, Unley, SA, pp.4-5.

South Australian Council of Social Service (SACOSS) 2014 SACOSS *Cost of Living Update, No. 17*, December Quarter 2013, Unley, SA, p.10.

South Australian Council of Social Service (SACOSS) 2015, Cost of Living Update No. 22, March Qtr 2015, February 2015, Unley, SA, pp. 3-4, 9-12, 14.

South Australian Council of Social Service (SACOSS) 2017a, Digital Expenditure Calculations, based on Household Expenditure Survey Data 1998/99–2015/16: Unpublished Data

South Australian Council of Social Service (SACOSS) 2017b, TELECOMMUNICATIONS EXPENDITURE IN AUSTRALIA: Unpublished Data, p.1.

Swinburne Institute for Social Research, Centre for Social Impact, Telstra Corporation Ltd, Melbourne, VIC, 2015.

Thomas, J, Barraket, J, Ewing, S, MacDonald, T, Mundell, M & Tucker, J 2016, Measuring Australia's Digital Inclusion Index 2016a, (the report), Swinburne Institute of Technology, Melbourne, for Telstra, pp. 4-6, 8.

Thomas, J, Barraket, J, Wilson, C, Ewing, S, MacDonald, T, Tucker, J & Rennie, E, 2017a, Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2017, RMIT University, Melbourne, for Telstra. pp. 5-6, 10-16, 20, 33, 42.

Thomas, J, Barraket, J, Wilson, C, Ewing, S, MacDonald, T, Tucker, J & Rennie, E, 2017b, Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2017, RMIT University, Melbourne, for Telstra, Tab 1, Australia.

Wise, S. (2013). *Trying to connect: Telecommunications access and affordability among people experiencing financial hardship*. Melbourne, VIC: Anglicare.