

COST OF LIVING REPORT

March 2018

Issue
No. 19

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



About NTCOSS

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

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

NTCOSS' vision is for

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

NTCOSS' mission is

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

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

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Introduction

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

This 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. This 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).

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 Dec 2017)

Darwin	↑	0.3%	vs Australia	↑	0.6% (in last quarter - to Dec 2017)
Darwin	↑	1.0%	vs Australia	↑	1.9% (over past year – to Dec 2017)

Source: ABS 2017d Tables 10 and 11, Data 5,6

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

Increases in Darwin over past 12 months	Decreases in Darwin over past 12 months
<i>Automotive fuel</i> [^] ↑ 10.7% vs Australia ↑ 11.1%	<i>Audio, visual and computing equipment</i> [^] ↓ 10.3% vs Australia ↓ 7.5%
<i>Hospital and medical services</i> ↑ 5.9% vs Australia ↑ 5.4%	<i>Vegetables</i> ↓ 9.2% vs Australia ↓ 7.2%
<i>Gas and other household fuels</i> ↑ 5.5% vs Australia ↑ 7.8%	<i>Rent</i> ↓ 5.6% vs Australia ↑ 0.7%
Transport ↑ 5.6% vs Australia ↑ 3.3%	<i>Telecommunication and equipment/services</i> ↓ 4.3% vs Australia ↓ 2.6%
<i>Audio, visual and computing media & services</i> ↑ 4.1% vs Australia ↑ 3.8%	<i>Audio, visual, computing equipment/services</i> ↓ 4.3% vs Australia ↓ 3.8%
Health ↑ 3.6% vs Australia ↑ 4.0%	Communication ↓ 4.1% vs Australia ↓ 3.4%
Education ↑ 2.8% vs Australia ↑ 3.2%	
<i>Insurance</i> ↑ 2.5% vs Australia ↑ 3.5%	
Alcohol & Tobacco ↑ 6.1% vs Australia ↑ 7.3%	

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* and *Audio, visual and computing media & services* are sub categories of Audio, visual and computing equipment & services (sub categories of **Recreation and Culture** CPI category).

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

Increases in Darwin over past 3 months				Decreases in Darwin over past 3 months			
<i>Fruit</i>				<i>Audio, visual and computing equipment</i>			
↑	11.0%	vs	↑ 9.3%	↓	4.1%	vs	↓ 3.5%
		Australia				Australia	
<i>Automotive fuel</i>				<i>Recreation and Culture</i>			
↑	8.1%	vs	↑ 10.4%	↓	2.7%	vs	↑ 0.6%
		Australia				Australia	

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 (1.0%) and well under the national rate of growth (1.9%) (see Table 1a), however not all Darwin 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 (10.7% - which is in line with the national increase of 11.1%). 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 (5.9%, above the national increase of 5.4%), gas and other household fuels (5.5%, but below the national increase of 7.8%), transport overall (5.6%), and health overall (3.6%).

Where price rises occur for key expenditure items such as fuel, health services and gas and other 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 – audio, visual and computing equipment (down 10.3%), telecommunications equipment and services overall (down 4.3%), as well as the price of vegetables which came down by 9.2%.

Rent also decreased by 5.6%, which was against the national trend that saw rent rise slightly (0.7%), 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.

Introduction of MyFuel NT – Mandatory Retail Fuel Price Reporting Scheme

On 1 November 2017, the NT Government established MyFuel NT, “a Territory-wide mandatory retail fuel price reporting scheme and minimum standards for fuel price boards” (NT Government 2018a).

The aim of MyFuel NT is “to empower consumers through increased transparency of fuel information and encourage greater competition in the Territory fuel market”, and it provides free access (via website www.myfuelnt.nt.gov.au) to “real-time fuel price information for every fuel retailer in the Territory”, thereby enabling consumers to find the cheapest fuel available. (NT Government 2018a).

Given that MyFuel has only been in operation for around four months, it will take some time to see the impact it has on fuel prices. Data was not available for Alice Springs and Tennant Creek* for the equivalent prices of fuel for October 2017 (prior to MyFuel commencing). This has not allowed for a full comparison of prices pre and post MyFuel NT; our analysis therefore focuses on prices for January 2018.

**The Australian Institute for Petroleum did not provide fuel price data for all regions for unleaded fuel (NT Government 2017).*

Tables 2a and 2b below, showing January prices and the change from the previous month for both unleaded fuel and diesel, highlight that, fuel prices have generally increased slightly across the NT between December 2017 and January 2018, apart from unleaded fuel in Darwin.

NTCOSS will continue to monitor the fuel prices in the NT, given the impact fuel price increases have on households’ budgets, particularly low-income households.

Table 2a: Fuel Prices across the NT - January 2018: Unleaded Petrol

Location	Average retail price (cents per litre) for January 2018*	Price change from prev. month (cents per litre)
Darwin	150.2	-0.1
Alice Springs#	176.9	+0.7
Katherine#	163.1	+1.6
Tennant Creek#	183.9	n/a^
NT Average*	156.7	+0.2
Australian Average*	138.9	-0.1

Source: NT Government 2018b, p. 1

*Weighted average

^The AIP did not publish fuel price data in the previous month

#Includes surrounding areas/regions

NB: This price is for the four weeks ending 04 February 2018 unless otherwise stated

Table 2b: Fuel Prices across the NT - January 2018: Diesel

Location	Average retail price (cents per litre) for January 2018	Price change from prev. month cents per litre
Darwin	146.8	+1.9
Regional Average*^	172.8	+1.2
NT Average^	157.0	+1.6
Australian Average^	138.8	+1.4

Source: NT Government 2018b, p. 1,2

*The AIP does not report on diesel prices for individual regional areas of the NT

^Weighted average

NB: This price is for the four weeks ending 04 February 2018 unless otherwise stated

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 Dec 2016 - Dec 2017

Table 3a: Changes in SLCI figures over the past year (to December 2017)

National CPI all groups		1.9%	
SLCI for Age Pensioners		2.1%	which is <u>above</u> CPI increase
SLCI for Other Government Transfer Recipients		2.4%	which is <u>above</u> CPI increase
SLCI for Employee Households		2.0%	which is <u>above</u> CPI increase
SLCI for Self-funded Retirees		1.6%	which is <u>below</u> CPI increase

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

Table 3b: Changes in SLCI figures over the past quarter (to December 2017)

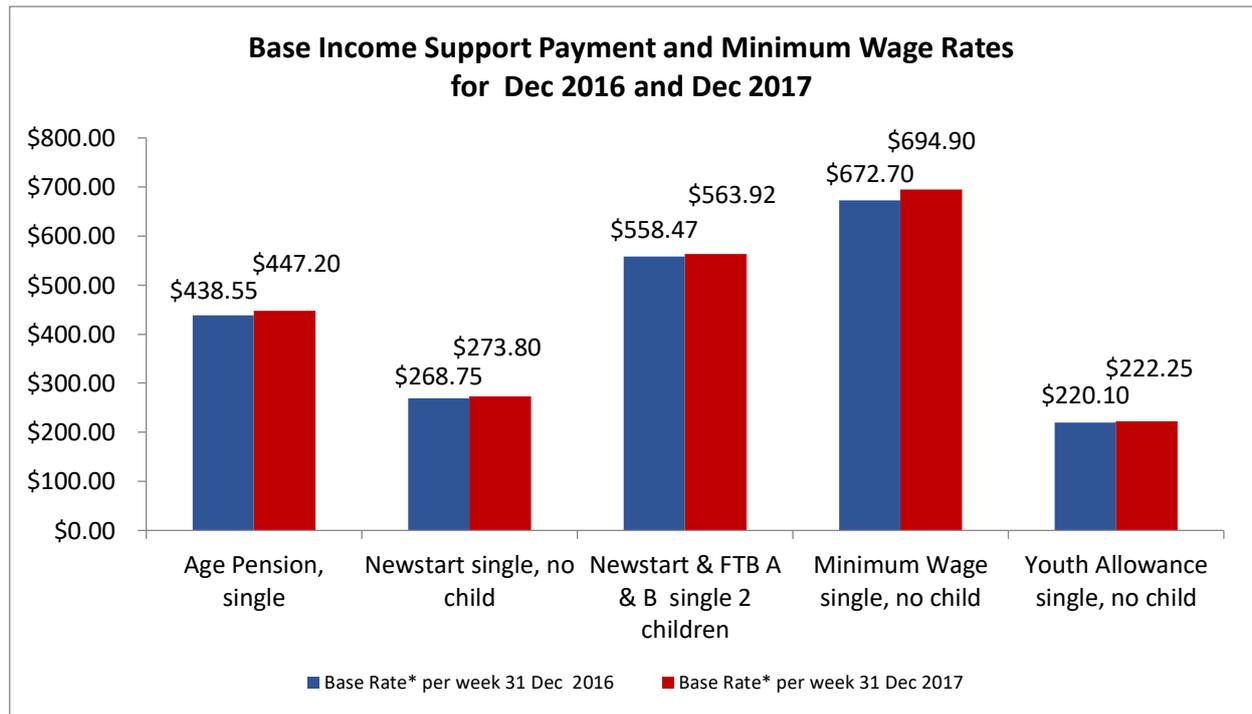
National CPI all groups		0.6%	
SLCI for Age Pensioners		0.6%	which is <u>same as</u> CPI increase
SLCI for Other Government Transfer Recipients		1.0%	which is <u>above</u> CPI increase
SLCI for Employee Households		0.7%	which is <u>above</u> CPI increase
SLCI for Self-funded Retirees		0.6%	which is <u>same as</u> CPI increase

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

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.

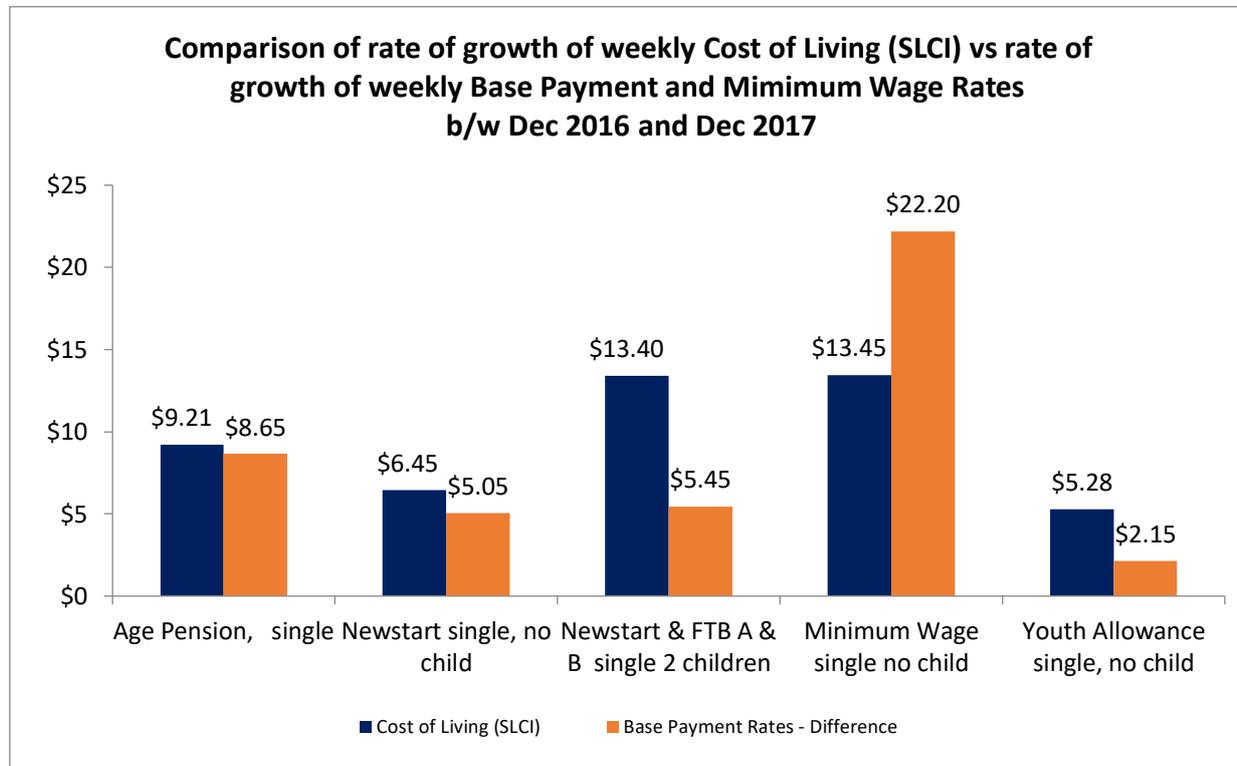
Figure 1: Selected Income Support Payments and Minimum Wage Rates as at Dec 2016 and Dec 2017



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, some supplements & Rent Assistance are not included in Figure 3, as they can vary from person to person. See Appendix: Explanatory Notes for information on the calculations for each payment type used in Figures 3 and 4.

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 Dec 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 (Note: The rate of growth of the SLCI is calculated by multiplying the December 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 at a rate a little bit above the rise in the pension over the past year, rising \$0.56 above the rate of cost of living for a single pensioner. For single Newstart recipients without children, the rise in the cost of living has outstripped the rise in payments by \$1.40 per week. For single Newstart recipients with two children, the difference was \$7.95 per week (around \$415 per year). For single Youth Allowance recipients, the rise in the cost of living has outstripped the rise in payments by \$3.13 per week (\$163 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 \$8.75 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 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 \$273.80 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 Dec 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 2017a, 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 2017a, p.1).

The UNSW report (New Budget Standards for Low-Paid and Unemployed Australians Report, cited in ACOSS 2017a) 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 2017a).

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

ACOSS has continually 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 2017a, p.1).

In its recent pre-budget submission to the Federal Government ACOSS (2017b, p.19) has called for “Allowance payments for single people... [to] be increased by \$75 per week from January 2019”, and that this should apply “to people on Newstart Allowance, Widow Allowance, Sickness Allowance, Special Benefit and Crisis Payment”.

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.

NTCOSS again echoes this call and urges the Federal Government to increase the Newstart Allowance and other base level payments by \$75 per week, as a matter of urgency.

Visit to Australia by the UN Rapporteur on Extreme Poverty

The UN Special Rapporteur on Extreme Poverty (Phillip Austen) recently visited Australia, and he made a number of telling comments.

Austen (ABC 2018) stated that “Punitive measures trying to reduce the number of people who are eligible for Social Security Benefits, make it difficult to obtain them, [and] extend waiting periods”, are not justified, and he commented that they seem to be “driven by a broad ideological belief that there are many people who should be working who could be working and are refusing to”, but he doesn’t believe there is the evidence to support this.

Austen (2018) further commented that “there are a series of measures which are having a disproportionate impact on women who are...heading up single parent families”, such as cut backs and freezing of the benefits” and that “eighty per cent of single parent families are women”.

Austen (2018) also highlighted the need for “labour market reforms to help get people into work, as well the need for providing the type of safety net that enables people to focus on getting and staying in employment rather than just a daily struggle to survive”.

Austen (2018) also highlighted that “Australia has... the third lowest rate of employment of single mothers... next Ireland and Turkey. The reasons most economists...give for that is that the benefits are so low, that those women are simply not in a position to focus on working and getting employment but rather are just trying to survive”. He urged more serious analysis of the problems and solutions targeted to those problems

Who is on Newstart Allowance?

Sole Parents

Sole parents make up a significant proportion of receiving the Newstart Allowance. 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 with Disability

Another group of people who make up a significant proportion of people receiving the Newstart Allowance are sole parents. As of September 2017, there were approximately 722,795 people receiving the Newstart –Allowance across Australia, and a further 90,954 job seekers on Youth Allowance (i.e. doesn't include students and apprentices) (Australian Government 2017a). These figures must be contrasted with the **total job vacancies in Australia which were 210,800** in November 2017 (ABS 2017e).

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 180,000 people** currently on the Newstart Allowance, as of September 2017, have a disability. Government data reveals that **172,003 people on Newstart had only a partial capacity work** (i.e. less than 29 hours per week), as of September 2017 (Australian Government 2017a). In addition, a **further 10,932 people on Parenting Payment Single (Activity tested), and Youth Allowance (other)** were also assessed as having only a partial capacity to work (Australian Government 2017a).

If Newstart, with a disability, and in the "partial capacity to work" category, it means applying for five jobs a week in which people 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 musculoskeletal 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.”

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). In the NT as at September 2017, there were **1724 Newstart recipients aged between 55-64 in the NT** (Australian Government 2017a).

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).

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. \$39 a day is simply not enough for an individual to live on.**

Northern Territory Concession Scheme

In November 2017, NTCOSS broadly welcomed the Northern Territory Government's announced reforms to the NTPCCS, particularly the caps on both electricity and water concessions, "to ensure that excessively high concessions are not available, and to encourage households that highly consume electricity and water to reduce their consumption - leading to a fairer, more sustainable and fiscally responsible scheme" (NTCOSS 2017a).

NTCOSS also expressed its support of the separation of incentives for senior Territorians and a cost of living concession scheme, (NTCOSS 2017), which will be known as the Northern Territory Concession Scheme.

NTCOSS did however highlight the continued exclusion of those on the lowest-incomes, who face significant disadvantage, from access to cost of living relief in the Northern Territory, and reinforced that "Concessions in Australia have historically been introduced across states and territories to provide a rebate for low-income and disadvantaged households in order to ease cost of living pressures" (NTCOSS 2017a).

With the Queensland Government in 2017 extending its electricity rebate (concession) to all Centrelink Health Care Card holders, as well as asylum seekers, however, the NT now remains the only jurisdiction (State or Territory) not to offer electricity concessions to all Centrelink Health Care Card holders.

Newstart Allowance recipients in the Northern Territory

At September 2017, there were 13,537 people receiving Newstart, and 2305 people receiving Youth Allowance (including 426 students/apprentices), and 68 on the receiving the Widow Allowance, totalling 15,610. In addition, there were 55 people on the Sickness Allowance and 18 on the Special Benefit payment (Australian Government 2017a).

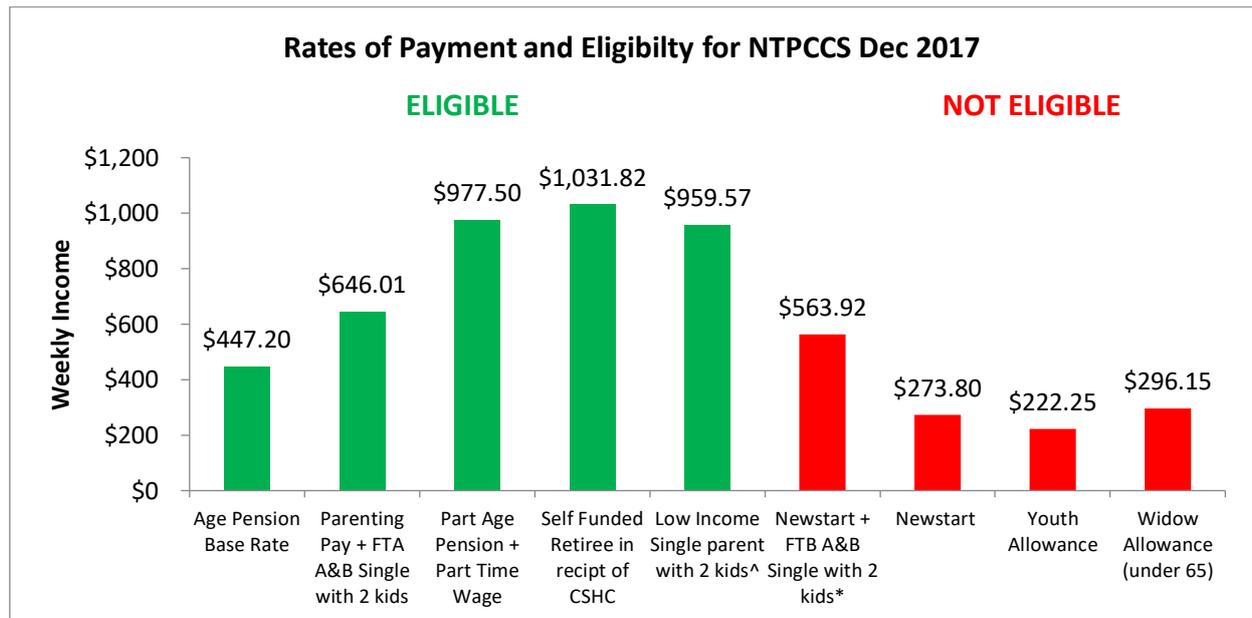
If the Northern Territory Concession Scheme's electricity concession, was extended to an additional 15,000 people, not all of them would in fact require the concession, as some of these people would already be in households where the concession is already claimed – however, **for those allowance recipients, who are currently in a household where no one is eligible for concessions, eligibility for the electricity concession (up to \$1200 per year) would make a significant difference to their cost of living pressures.**

NTCOSS renews its call to extend the eligibility of the electricity and motor vehicle concessions to individuals and households on the lowest incomes, as part of the NT Government's responsibility to adequately address inequality and provide appropriate social supports to those who need it most.

Read the NTCOSS [submission to the NTPCCS Scheme Review \(abridged\)](#)
See the NTCOSS [mapped split scheme proposal](#)

In Victoria a job seeker on Newstart can access electricity concessions, as well as motor vehicle concessions. If that job seeker moved to the Territory, they would be ineligible for the equivalent concessions here. With the high costs of living in the NT well accepted, and the fact that payments for people on Newstart and Youth Allowance are indexed at a lower rate than pensions, people on these payments are hit with a ‘triple whammy’ in the NT by also being denied access to concessions that would help ease their cost of living pressures (NTCOSS 2017b, p.11)

Figure 3: Weekly Rates of Payment and Eligibility for NTPCCS for Single People, Dec 2017



Sources: Centrelink 2017, p. 2, 5, 11,13, 25, 26, 27, 28, 32, 33, 34, 38, 39; Centrelink 2018; Fair Work Commission, 2017.
 NB: there are some conditions that exist where a sole parent receiving Newstart may be eligible for a Centrelink Pension Concession Card – if they have a partial capacity to work, they may be eligible (Centrelink 2017, p. 27).

The above figure includes self-funded retirees in receipt of the Commonwealth Seniors Health Card (CSHC), who have been grandfathered into the NTPCCS, and will be grandfathered into the new NT Concession Scheme – but eventually, people in this situation will be ineligible for the NT Concession Scheme (but will still be eligible for the Seniors Recognition Scheme).

Sole parents are eligible for the Parenting Payment Single payment when their youngest child is under the age of 8. Once the youngest child turns 8, single parents are then transferred across to the Newstart payment and are expected to look for work. Due to being on the Newstart Allowance, however, they are no longer eligible for the current NTPCCS, unless certain conditions apply (see below). In addition, their payment rate is reduced to the Newstart rate (around \$85 per week below what they would receive on Parenting Payment Single).

In relation to Newstart recipients receiving the ‘With dependent children rate’ of payment, and with children (over 8 and under 16), Centrelink does provide for the following: “Single principal carers of a dependent child aged under 16 and people assessed as having a partial capacity to work may be eligible for a Pensioner Concession Card” Centrelink 2017, p.27).

The argument for concessions in the NT to be extended to all Centrelink Health Care Card holders (particularly electricity, water and sewerage concessions) has support at a national level. SACOSS has pointed out this issue in relation to concessions generally, which it describes as, "...the disjoint between the benefits received by pensioners and those for which recipients of government allowances are eligible (SACOSS 2009, p.8).

The fact that older Australians who hold a Pensioner Concession Card have access to many concessional benefits that are not available to other people on low - incomes means that horizontal equity in the systemic sense is lacking" (SACOSS 2009, p.8). Horizontal equity refers to where "those in similar circumstances need to receive similar levels of benefit" (SACOSS 2009, p.ii).

In addition, ACOSS (2014) has recommended that the Commonwealth Utilities Allowance, "...be extended to recipients of Parenting Payment, Newstart and other allowances, who currently miss out" (cited in SACOSS 2009, p.8).

SACOSS (2009, p.8) has recommended concessions for telephone allowance, transport concessions, and the Pharmaceutical Allowance also be available to these allowance recipients.

NTCOSS is also alarmed that the new NT Concession Scheme will exclude people on carer allowance and those people with a low income health care card – unless they were already on the NTPCCS prior to 8 November 2017.

While some people on carer allowance may be in full time work, this is not the case for everybody, and it would be more appropriate to implement a means test for carers, so that those on low incomes are still eligible. In addition, NTCOSS believes people on low income health care cares should also remain eligible.

Indexation of Concessions/Subsidies

In previous Cost of Living reports (No. 8, 14) NTCOSS has highlighted the need for regular indexation to be built into relevant concessions and subsidies (based on price reviews) to ensure such concessions keep pace with rising living costs, e.g. NTPCCS concessions such as the Motor Vehicle Registration Fee Concession, or Patient Travel Assistance Scheme (PATS) subsidies such as the commercial accommodation, private accommodation and fuel subsidies.

NTCOSS continues to advocate for this.

RECOMMENDATIONS

The following recommendations would help ease the burden on Territory households and work towards all Territorians enjoying a standard of living that enables them to have their essential needs met, and the capacity to participate fully in society and further develop and contribute their skills and experiences.

Specifically, NTCOSS calls on the NT Government to:

- **Include all Centrelink Health Care Card holders in the eligibility for access to the NT Pensioner and Carer Concession Scheme (NTPCCS). This would include all those who are on the Newstart and Youth Allowance and Widow Allowance payments and would ensure that those who are most disadvantaged are able to access the Scheme.**
- **Build in regular indexation to relevant concessions and subsidies (based on price reviews) to ensure such concessions keep pace with rising living costs, e.g.: NTPCCS concessions such as the Motor Vehicle Registration Fee Concession or PATS concessions such as the commercial accommodation subsidy, private accommodation subsidy and fuel subsidy.**
- **Urge the Commonwealth Government to increase the base rate of allowance payments, e.g. Newstart, Youth Allowance and Widow Allowance, by \$75 per week in line with the call by ACOSS.**

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.

Table 4. CPI changes, key expenditure areas: Darwin vs Australia, Dec 2017 Quarter and past year
 This table shows the trends in the CPI for all the 11 CPI categories measured by the ABS quarterly and over the past year.

Cost of Living area	Darwin CPI		National CPI	
	Last Qtr Sep 2017 – Dec 2017 % change	Past Year Dec 2016 – Dec 2017 % change	Last Qtr Sep 2017 – Dec 2017 % change	Past Year Dec 2016 – Dec 2017 % change
Food & Non-Alcoholic Beverages	0.9%	-0.8%	1.0%	-0.2%
Meat and seafood	0.0%	-1.1%	0.5%	0.5%
Dairy & related products	0.2%	-0.5%	0.5%	-0.3%
Fruit	11.0%	-3.2%	9.3%	-1.7%
Vegetables	-1.4%	-9.2%	1.7%	-7.2%
Alcohol & Tobacco	3.5%	6.1%	3.2%	7.3%
Alcohol	0.5%	2.1%	0.1%	2.4%
Tobacco	8.9%	12.8%	8.5%	15.2%
Clothing & Footwear	1.2%	-0.1%	-3.0%	-3.0%
Housing (includes utilities)	-0.3%	-1.3%	0.3%	3.4%
Rents	-0.6%	-5.6%	0.3%	0.7%
New dwelling purchase	0.2%	0.7%	0.6%	3.2%
Utilities	0.0%	0.6%	0.1%	9.2%
Water & sewerage	0.0%	0.5%	0.0%	3.2%
Electricity	0.0%	0.5%	0.9%	12.4%
Gas and other household fuels	0.5%	5.5%	-1.7%	7.8%
Furnishings, household equipment/services	-0.3%	-0.5%	-0.8%	-0.8%
Health	-0.7%	3.6%	-0.5%	4.0%
Medical and hospital services	0.0%	5.9%	-0.2%	5.4%
Transport	2.3%	5.6%	2.4%	3.3%
Automotive fuel	8.1%	10.7%	10.4%	11.1%
Public transport	0.0%	0.0%	0.0%	0.6%
Communication	-1.5%	-4.1%	-1.3%	-3.4%
Telecommunication equipment/ services	-1.5%	-4.3%	-1.4%	-3.8%
Recreation & Culture	-2.7%	0.6%	0.6%	0.6%
Audio/visual/computing equipment/service	-2.5%	-4.3%	-1.6%	-2.6%
Audio, visual & computing equipment	-4.1%	-10.3%	-3.5%	-7.5%
Audio, visual & computing media and services	0.6%	4.1%	1.9%	3.8%
Education	0.1%	2.8%	0.1%	3.2%
Insurance and financial services	0.5%	3.1%	0.2%	1.3%
Insurance	0.9%	2.5%	1.8%	3.5%
CPI All Groups	0.3%	1.0%	0.6%	1.9%

Source: ABS 2017d and ABS 2017e Data 4, 5, 6

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. Calculations used for Weekly payment rates - used in Figures 1, 2

Table 5a Weekly Payment Rates at 31 Dec 2016

	BASE RATE	Pension Support	Energy Supp	FTB A Child u13	FTB B Child 13-15	FTB B	Pharma Benefit	TOTAL PAYMENT
Age Pension (single)	\$398.95	\$32.55	\$7.05					\$438.55
Newstart (single, no children)	\$264.35		\$4.40					\$268.75
Newstart (single, 2 children)	\$285.95		\$4.75	\$91.42	\$118.93	\$54.32	\$3.10	\$558.47
Youth Allowance (single, no children)	\$216.60		\$3.50					\$220.10

Table 5b Weekly Payment Rates at 31 Dec 2017

	BASE RATE	Pension Support	Energy Supp	FTB A Child u13	FTB B Child 13-15	FTB B	Pharma Benefit	TOTAL PAYMENT
Age Pension (single)	\$407.00	\$33.15	\$7.05					\$447.20
Newstart (single, no children)	\$269.40		\$4.40					\$273.80
Newstart (single, 2 children)	\$291.40		\$4.75	\$91.42	\$118.93	\$54.32	\$3.10	\$563.92
Youth Allowance (single, no children)	\$218.75		\$3.50					\$222.25
Widow Allowance (single, no children under 65)	\$291.40		\$4.75					\$296.15
Parenting Payment (single, 2 children)	\$376.30		\$6.00	\$91.42 (child u5)	\$91.42 (child u5)	\$77.77 (child u5)	\$3.10	\$646.01
Low Income Min Wage (single, 2 children)	\$694.90		\$4.75	\$91.42 (child u13)	\$118.93 (child 13-15)	\$54.32 (child u13)		\$959.57
Part Age Pension Max rate of income (single, no children)	\$0.50 + \$977.00		\$3.50					\$977.50
Self-funded Retiree Receives CSHC (single, no children)	\$1031.82							\$1031.82

Sources: Centrelink 2016, p. 2, 5, 12, 23, 26, 32, 37, 38; Centrelink 2017, p. 2, 5, 11, 13, 25, 27, 28, 32, 33, 34, 38, 39; Centrelink 2018, Fair Work Commission, 2017. NB: All figures are based on maximum rates of payment where relevant. 2 children for Newstart calculation based on one child under 13 y.o.; and one child b/w 13-15 y.o.; 2 children for Parenting payment single based on both children under 5.

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