

COST OF LIVING REPORT

September 2018

**Issue
21**

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

CPI & SLCI Update



Northern Territory Council of Social Service

About NTCOSS

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

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

NTCOSS' vision is for

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

NTCOSS' mission is

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

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INTRODUCTION

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

The report focuses on price changes in key expenditure areas, using Darwin, regional NT, NT wide and national figures. The report includes an analysis of changes in the CPI for Darwin across a range of key expenditure areas – covering the basic essentials for low income households. These basic essentials make up the majority of, or even all of, the expenditure items for these households and it is the price increases in those areas that will have a greater negative impact on these households and are a focus in this report.

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.

The report therefore also draws on regional information around fuel prices and housing costs for example, using data from the Northern Territory Government (Economic Briefs) and the Real Estate institute of the Northern Territory.

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 – and provides information on cost of living changes for specific income groups – such as Age Pensioners, and Other Government Transfer Recipients.

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 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 2018a).

The SLCIs 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).

Consumer Price Index

The Consumer Price Index (CPI) has remained low in Darwin across the last year (1.2% vs national increase of 2.1%). Fuel (16.5%), insurance (4.4%), childcare (4.0%), household gas (3.9%) and fruit (6.3%) and education (4.7%) all went up, while rents again decreased (-5.8%). (ABS 2018c).

Regional Data on Transport Costs and Housing Prices

Fuel Prices

Regional data also reveals that unleaded fuel and diesel prices have increased across the whole of the Northern Territory since November 2017 – in particular the price of unleaded fuel in Darwin (7.8%), the Katherine region (7.6%) and the Alice Springs region (6.2%), and the price of diesel in Darwin (10.7%). In addition, all of the prices across the NT are well above the national average – with Tennant Creek and Alice Springs having the highest unleaded prices in the NT. (ABS 2018c)

Other Transport costs

In relation to weekly expenditure on transport costs, data from the Australian Automobile Association, shows that households in Alice Springs are paying slightly more for servicing and tyres (\$32.07 vs \$29.00), and more for fuel (\$77.98 vs \$70.56), but Darwin households are paying more for insurance (\$23.45 vs \$19.89), but overall costs for Darwin households are higher (largely due Public transport costs in Darwin (\$20 vs Alice Springs \$0.00). (AAA 2017).

Rental Prices

In relation to rents, in Darwin and Palmerston, prices have generally either stayed the same or decreased over the past year across all housing sizes – apart from a couple of exceptions. In Alice Springs however, rent prices have increased – particularly for 3-bedroom (6.0%) and 4-bedroom houses (up 12.5%) (REINT 2018, p.24-25), while prices have generally stayed the same or increased in Katherine. In relation to house sales, prices have largely fallen in the NT.

The Selected Living Cost Index (SLCI)

The rate of increase in the cost of living (measured by the SLCI) for people on Centrelink Income Support Payments has risen at a faster rate than the rate of rise in payments, especially for Single Newstart recipients with children, with the cost of living for Newstart recipients with 2 children rising by \$9.81 per week over the past year, which equates to around \$511 per year. (ABS 2018a: Centrelink 2017, 2018))

The report also highlights that over a long period of time age pension payments and the minimum wage rates have managed to more than adequately keep up with cost of living changes, however in the case of Newstart, the rate of increase in the base rate of payments has been lower than the cost of living increases; and the Youth Allowance has just managed to keep up with cost of living increases.

Inadequacy of Newstart and Youth Allowance Payments

Newstart and Youth Allowance payments, however, continue to lag behind pensions - \$176 and \$227 lower per week respectively (Centrelink 2018). More than half (55%) of people on Newstart live below the poverty line. In addition, for every eight people who are looking for paid work (or for an increase in hours), there is only one job available (ACOSS 2018a).

Raising the rate of Newstart and Youth Allowance

If Newstart and Youth Allowance had been increased on 1 July this year it would have **boosted the NT's overall income by \$58 Million** in the 2018/19 financial year, representing the increase in disposable income that would have become available. All regions in the NT would benefit. (ACOSS 2018b).

The base rates of these payments are clearly inadequate and there is an **urgent need for the Federal Government to increase the rate of Newstart and other Allowance payments by \$75 per week.**

Many prominent organisations and individuals have come out in support of raising the rate of Newstart, **including NT Chief Minister Michael Gunner this week.**

www.facebook.com/95364836407/posts/10155757530641408/

NT Concession Scheme

The report also highlights concerns around eligibility for the NT Concession Scheme and the need for reforms around eligibility, with particular concern that fewer groups are now eligible for the scheme than previously – now that people with a Low-Income Health Care Card, those on Carers Allowance, and some people who are eligible for the Pensioner Concession Card, and self-funded retirees will be ineligible for the new scheme, unless they were already on the previous scheme prior to 8 November 2017.

NOTE: references for all of the above figures are contained in the body of the report.

This report makes a number of recommendations to address cost of living pressures in the Northern Territory

PRICE CHANGES, LIVING COST INDEXES, INCOMES AND CONCESSIONS

Price Movement in Goods and Services in Darwin

Table 1a: Changes in CPI (All groups) over past year (ending June 2018)

Darwin	↑	0.4%	vs Australia	↑	0.4% (in last quarter - to June 2018)
Darwin	↑	1.2%	vs Australia	↑	2.1% (over past year – to June 2018)

Table 1b: Changes in CPI Darwin vs National over the past year (to June 2018)

Increases in Darwin over past 12 months	Decreases in Darwin over past 12 months
<p><i>Automotive fuel*</i></p> <p>↑ 16.5% vs Australia ↑ 16.3%</p>	<p><i>Audio, visual and computing equipment</i></p> <p>↓ 11.1% vs Australia ↓ 9.0%</p>
<p><i>Fruit</i></p> <p>↑ 6.3% vs Australia ↑ 4.5%</p>	<p><i>Vegetables</i></p> <p>↓ 10.3% vs Australia ↓ 8.7%</p>
<p><i>Education</i></p> <p>↑ 4.7% vs Australia ↑ 2.7%</p>	<p><i>Rents</i></p> <p>↓ 5.8% vs Australia ↑ 0.6%</p>
<p><i>Insurance</i></p> <p>↑ 4.4% vs Australia ↑ 5.4%</p>	<p><i>Telecommunication & equipment/services#</i></p> <p>↓ 5.2% vs Australia ↓ 4.7%</p>
<p><i>Child Care</i></p> <p>↑ 4.0% vs Australia ↑ 6.0%</p>	
<p><i>Gas and other household fuels</i></p> <p>↑ 3.9% vs Australia ↑ 7.1%</p>	
<p><i>Medical and hospital services</i></p> <p>↑ 2.1% vs Australia ↑ 4.3%</p>	
<p><i>Tobacco</i></p> <p>↑ 17.3% vs Australia ↑ 16.6%</p>	

Source: ABS 2018c Table 10 Data 4, 5, 6

*Transport costs overall have risen by 7.7% in Darwin, vs a 5.2% increase nationally - which has largely been driven by the increase in prices for fuel.

#Communication prices overall have fallen by 4.8% in Darwin, vs a 4.2% decrease nationally, largely driven by the increase in prices for Telecommunication & equipment/services.

Table 1c: Changes in CPI Darwin vs National over the past year (to June 2018)

Increases in Darwin over past 3 months	Decreases in Darwin over past 3 months
<p><i>Automotive fuel</i></p> <p>↑ 2.7% vs Australia ↑ 6.9%</p>	<p><i>Fruit and Vegetables</i></p> <p>↓ 2.4% vs Australia ↓ 2.7%</p>
<p><i>Medical and hospital services</i></p> <p>↑ 2.6% vs Australia ↑ 3.1%</p>	<p><i>Telecommunication, equipment and services</i></p> <p>1.6% vs Australia ↓ 1.5%</p>

Source: ABS 2018c, Table 11, Data 4, 5, 6

Note for Figures 1b and 1c, 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 year.

Low overall CPI growth in Darwin but some price rises

Fuel, Insurance, Child Care and Gas costs all up over the past year in Darwin

Low growth in the overall CPI for Darwin (CPI All groups), well under the national increase, has occurred over the past year (1.2% vs 2.1%). Despite the overall low growth in the CPI, there have been some significant rises within CPI sub-categories which particularly impact on low-income Territorians.

In particular, there has been a very steep increase in the price of automotive fuel (16.5%), however this has been consistent with the national trend, which has seen the price rise by 16.3%. The rise in fuel costs puts further cost of living pressure on motorists from low-income households both in Darwin (as well as across the NT, where fuel prices are generally even higher – see Tables 2a and 2b below). It must be noted however, that in the past quarter (to June 3 2018), fuel prices rose at a much lower rate (2.7%) than the previous two quarters (6.2%, 8.1% (ABS 2018c, Table 11).

Other notable increases in CPI occurred for insurance (4.4% vs 5.4% nationally), childcare (4.0% vs 6.0%), gas and other household fuels (3.9% vs 7.1%), education (4.7% vs 2.7%) and fruit (6.3% vs 4.5%) all went up.

These price rises in key expenditure areas like fuel, insurance and gas **have a greater impact on cost of living for low-income and disadvantaged households**, as expenditure on these items takes up a greater proportion of their weekly income.

There has been a decrease in **audio, visual and computing equipment** (down 11.1% vs down 9.0% nationally), and the price of **vegetables** (down 10.3 vs down 8.7% nationally), as well as **rent** (down 5.8%), which was against the national trend which saw rent rise slightly (0.6%).

The CPI for rent in Darwin has dropped for 14 consecutive quarters (ABS 2018c), but for some Darwin households rental prices are still out of reach, as evidenced by a recent Rental Affordability Snapshot (Anglicare 2018), which highlighted that rent prices continue to place strain on many lower income households in the NT, especially those reliant on Centrelink payments. Additional to this is the fact that the decrease in the CPI for rent in Darwin is not reflective of what is occurring across the whole of the NT, as REINT data reveals that rent prices in Alice Springs have risen for all housing types over the past year (see Table 3a below).

Snapshot of Cost of Living Changes across regional areas of the NT

Fuel Prices

Table 2 Fuel Prices across the NT – November 2017-August 2018 – Unleaded Fuel and Diesel (since MyFuel NT came into being).

Unleaded Petrol	Average Retail Price Nov 2017	Average Retail Price August 2018	Price change since Nov 2017	% Change since Nov 2017
<i>Cents Per Litre</i>				
Darwin	144.4	155.7	+11.3	7.8%
Alice Springs#	174.5	185.3	+10.8	6.2%
Katherine#	159.8	171.9	+12.1	7.6%
Tennant Creek#	183.6	187.4	+3.8	2.1%
NT Ave^	151.8	162.9	+11.1	7.3%
Australian Ave^	137.4	145.9	+8.5	6.2%

Diesel*	Average Retail Price Nov 2017	Average Retail Price August 2018	Price change since Nov 2017	% Change since Nov 2017
<i>Cents Per Litre</i>				
Darwin	140.3	155.3	+15.0	10.7%
Regional Ave*^	169.9	182.3	+12.4	7.3%
NT Ave^	151.9	165.9	+15.0	9.9%
Australian Ave^	134.2	152.0	+17.8	13.3%

Source: NT Government 2017, p. 1,2; Source: NT Government 2018a, p. 1,2

#Includes surrounding areas/regions; ^Weighted average

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

The above tables show that unleaded fuel and diesel prices have increased across the whole of the Northern Territory since November 2017 – in particular the price of unleaded fuel in Darwin (7.8%), the Katherine region (7.6%) and the Alice Springs region (6.2%), and the price of diesel in Darwin (10.7%). In addition, all of the prices across the NT are well above the national average – with Tennant Creek and Alice Springs having the highest unleaded prices in the NT.

While diesel prices are higher in the NT than nationally, the rate of increase in the average price of diesel nationally, has risen at a faster rate than the average increase in the NT.

Reasons for increasing Fuel Prices

According to the Australian Competition and Consumer Commission (ACCC 2018a) fuel prices fluctuate up and down as a result of the combination of a number of factors, namely:

- “changes in international benchmark prices
- the value of the Australian dollar relative to the US dollar¹
- levels of competition in different areas
- pricing decisions by wholesalers and retailers.”

In its most recent Report on the Australian petroleum market June quarter 2018, the ACCC (2018b, p.33) reported that price increases nationally [in the June quarter of 2018 “were influenced by a number of factors, including the agreements in late-2016 by the Organisation of Petroleum Exporting Countries (OPEC) and some other crude oil producing countries to cut production² ³. This deal was an attempt to curb a global oil oversupply and lift prices, which had sunk to record lows (ABC 2017).

The ACCC Chair Rod Sims has commented (ABC 2018) that “The OPEC [Organisation of Petroleum Exporting Countries] cartel in particular continues to have a damaging effect on Australian petrol prices”, as it restricted supply into the market, which has clearly started to bite through steadily increasing petrol prices in the past financial year”. In addition, Mr Sims stated that “A weaker Aussie dollar has also increased costs for wholesalers buying petrol for the Australian market [in US dollars], which flows through to consumers who pay for this at the pump.”

The ACCC also highlighted that “petrol retailers are charging high gross margins for petrol, more than 50 per cent higher than their 16-year average” (ABC 2018).

Higher Fuel Prices in smaller cities and regional locations

The ACCC (2018b, p. 22-23) also highlights that there are factors that lead to higher fuel prices in both smaller cities (Darwin, Hobart and Canberra) compared to the largest cities, which are similar to the factors that lead to higher prices in regional locations. “These price movements are largely driven by changes in international refined petrol prices and the AUD–USD exchange rate, as they are in the five largest cities” (ACCC 2018, p.26). In regional locations (and smaller cities) however, there are additional factors that may contribute to higher prices, including:

- **“a lower level of local competition”**
- **“lower volumes of fuel sold”**

¹ The AUD–USD exchange rate is a significant determinant of Australia’s retail petrol prices, because international refined petrol is bought and sold in United States dollars in global markets (ACCC 2018b, p. 34)

² The influence of these production cuts was compounded in the quarter by concerns about risks to international crude oil supplies arising from a potentially spreading conflict in the Middle East, renewed US sanctions against Iran and falling crude oil output due to the political and economic crisis in Venezuela (ACCC 2018b, p. 33)

³ In late-2016, the OPEC nations — which include Saudi Arabia, Iran and Iraq — and Russia (a non-OPEC producer) agreed to cut oil production by 2 per cent (or 1.2 million barrels a day), responding to a global supply glut which put downward pressure on oil prices and their profits. Brent crude prices surged above \$US50 per barrel immediately afterwards — and are trading higher today at \$US72.17 a barrel at 1:50pm (AEST) (ABC 2018)

- “distance/location factors”
- “lower convenience store sales” (ACCC 2018, p.26).

Significant price disparities between regional locations may occur, given that the above factors will be different in different locations. The lack of competition in Darwin was highlighted in a 2015 ACCC report on the Darwin petrol market, where it was “noted that higher prices and profits in Darwin were the result of weak retail competition (ACCC 2018b, p.46).

Fuel Price Comparison Apps

Along with the MyFuel NT app, introduced in November 2017, there are a number of free apps across the country in other jurisdictions. The ACCC report that motorists in Queensland have made significant savings through using a fuel app and there has been a surge in the number of motorists in NSW accessing the FuelCheck app.

While an examination of price data shows that **prices have risen in all regional areas of the NT,** for both unleaded fuel and diesel between November 2017 and July 2018 (Table 2), since the MyFuel NT app began, and the ACCC Chair Mr Sims has “urged motorists to use free petrol comparison apps ...to put downward pressure on prices” arguing that the apps show that there are service stations with lower petrol prices and motorists “can save...money with just a small amount of effort — that's the best way to keep petrol retailers honest" (ABC 2018b).

Fuel Apps can play an important role in terms of transparency of fuel prices, and NTCOSS will continue to report on NT fuel prices, given their significant impact on cost of living pressures.

Other Transport Costs – Alice Springs vs Darwin

The Australian Automobile Association’s (AAA) Transport Affordability Index (TAI) for the December 2017 Quarter, provides a comparison of transport costs between Alice Springs and Darwin on a number of measures. The following table is adapted from two tables on page 29 of the AAA TAI.

Table 3 Household Weekly Transport Costs Comparison – Alice Springs vs Darwin Dec 2017

Quarter Ending December 2017	Alice Springs	Darwin
Car Loan Payments	\$121.71	\$121.71
Registration and Licencing	\$29.00	\$29.00
Insurance	\$19.89	\$23.45
Servicing & tyres	\$32.07	\$29.00
Fuel	\$77.98	\$70.56
Public Transport	\$0.00	\$20.00
Roadside Assistance	\$1.90	\$1.90
	\$282.56	\$295.63

Source: Table adapted from AAA 2017 p. 29

The above table shows that households in Alice Springs are paying slightly more for servicing and tyres (\$32.07 vs \$29.00), and more for fuel (\$77.98 vs \$70.56), but Darwin households are paying more for insurance (\$23.45 vs \$19.89). Overall the costs for Darwin households are higher (largely due to the costs attributed to Public transport costs in Darwin (\$20), whereas for Alice Springs the figure is \$0.00).

Housing & Utilities Price Movement

This regional data show that in Darwin and Palmerston, prices have generally either stayed the same or decreased over the past year across all housing sizes – apart from a couple of exceptions. In Alice Springs however, rent prices have increased – particularly for 3-bedroom (6.0%) and 4-bedroom houses (up 12.5%) while prices have generally stayed the same or increased in Katherine (REINT 2018, p.24,25),

In relation to house sales, the prices for housing have largely followed a similar trend to rental prices, with prices in the Top End decreasing, while in Alice Springs average house and unit prices have increased (REINT 2018, p.5,7).

Housing Price changes over the past 12 months – Regional Areas

Table 4a: Housing Price changes over the past 12 months – Regional Areas

Year Ending June 2018	Palmerston	Katherine	Alice Springs	Tennant Creek
Residential Housing - Median Sales Prices				
Residential House	-7.6%	-5.1%	9.8%	23.6%**
Residential Unit/Townhouse	-3.3%	103.7%**	15.4%	N/A
Rental Housing - Median Weekly Prices				
3 BR House Rental Prices	-2.3%	0.0%	6.0%	N/A
4BR House Rental Prices	-3.6%	0.0%	12.5%	N/A
1BR Unit/Townhouse Rental Prices	52.5%*	1.9%	4.4%	N/A
2BR Unit/Townhouse Rental Prices	-4.5%	6.1%	5.3%	N/A
3BR Unit/Townhouse Rental Prices	-4.9%	-7.9%	2.1%	N/A
Utilities ^ (Darwin CPI figures)				
Electricity	0.5%	0.5%	0.5%	0.5%
Water & Sewerage	0.5%	0.5%	0.5%	0.5%

REINT2018, p 5,7,24,25; ABS 2018c Table 10, Data 4.

* There was only one sale in Katherine and Tennant Creek in the last quarter, so these figures must be interpreted with caution

Table 4b: Housing Price changes over the past 12 months – Darwin & Suburbs

Prices Year Ending June 2018	Inner Darwin	Darwin North Coastal	Darwin North East	Darwin Nth
Residential Housing - Median Sales Prices				
Residential House	-12.5%	-6.5%	-29.6%	-19.0%
Residential Unit/Townhouse	-24.4%	-7.7%	-0.9%	-31.3%
Rental Housing - Median Weekly Prices				
3 BR House Rental Prices	-3.8%	4.2%	0.0%	0.0%
4BR House Rental Prices	0.0%	-7.7%	-4.8%	-5.2%
1BR Unit/Townhouse Rental Prices	-1.5%	-5.7%	27.3%	-13.2%
2BR Unit/Townhouse Rental Prices	-2.3%	0.0%	0.7%	-5.7%
3BR Unit/Townhouse Rental Prices	-3.6%	0.0%	-7.2%	-21.9%*

REINT 2018, p. 5,7, 24,25

*3BR Unit figure for Darwin North not supplied from June 2018 – so March 2018 figure used instead as most recent figure

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 2018a). Other government transfer recipient households includes "households whose principal source of income is a government pension or benefit other than the Age Pension or Veteran's Affairs pension", e.g. Newstart or Youth Allowance (ABS 2018b).

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 June 2017 – June 2018

Table 5a: Changes in SLCI figures over the past year (to June 2018)

National CPI all groups	↑	2.1%	
SLCI for Age Pensioners	↑	2.2%	which is <u>above</u> CPI increase
SLCI for Other Government Transfer Recipients	↑	2.7%	which is <u>above</u> CPI increase
SLCI for Employee Households	↑	2.3%	which is <u>above</u> CPI increase
SLCI for Self-funded Retirees	↑	2.0%	which is <u>below</u> CPI increase

Source: SLCI Figures taken from ABS 2018a and CPI figures taken from ABS 2018c, Table 11 Data 6

Table 5b: Changes in SLCI figures over the past quarter (to June 2018)

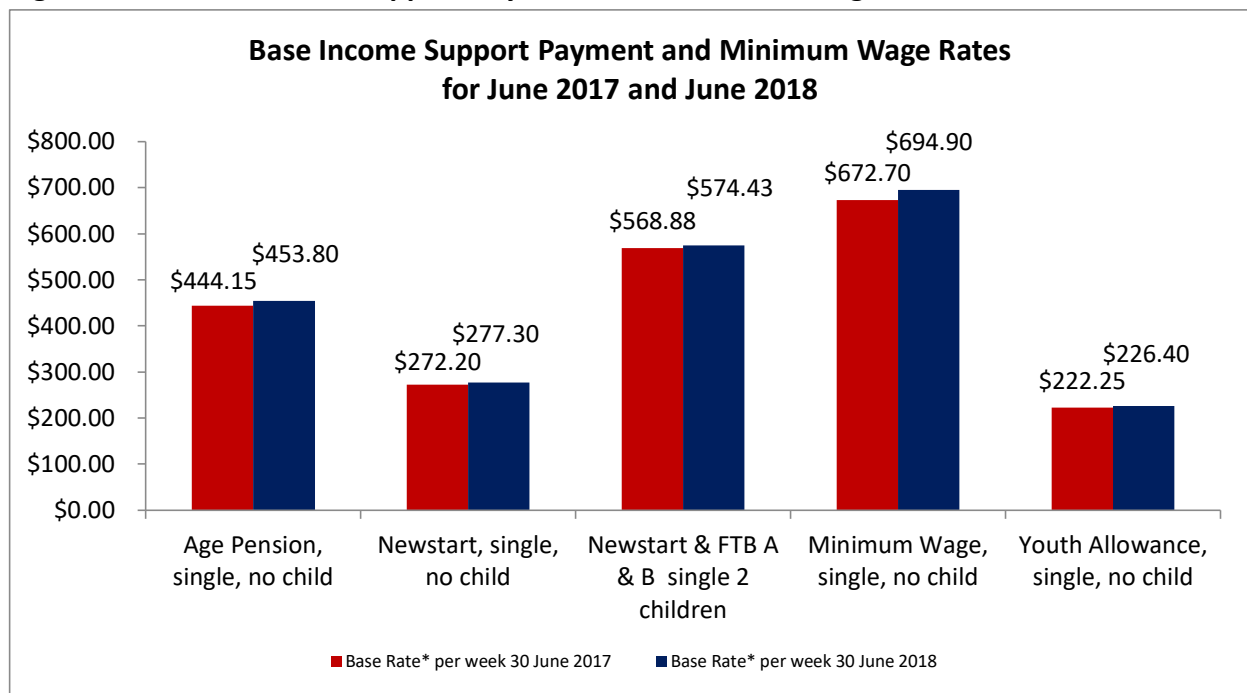
National CPI all groups	↑	0.4%	
SLCI for Age Pensioners	↑	0.2%	which is <u>below</u> CPI increase
SLCI for Other Government Transfer Recipients	↑	0.3%	which is <u>below</u> CPI increase
SLCI for Employee Households	↑	0.4%	same as CPI increase
SLCI for Self-funded Retirees	↑	0.4%	same as CPI increase

Source: SLCI Figures taken from ABS 2018a and CPI figures taken from ABS 2018c, Table 10 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 of their income.

Figure 1: Selected Income Support Payments and Minimum Wage Rates June 2017-June 2018



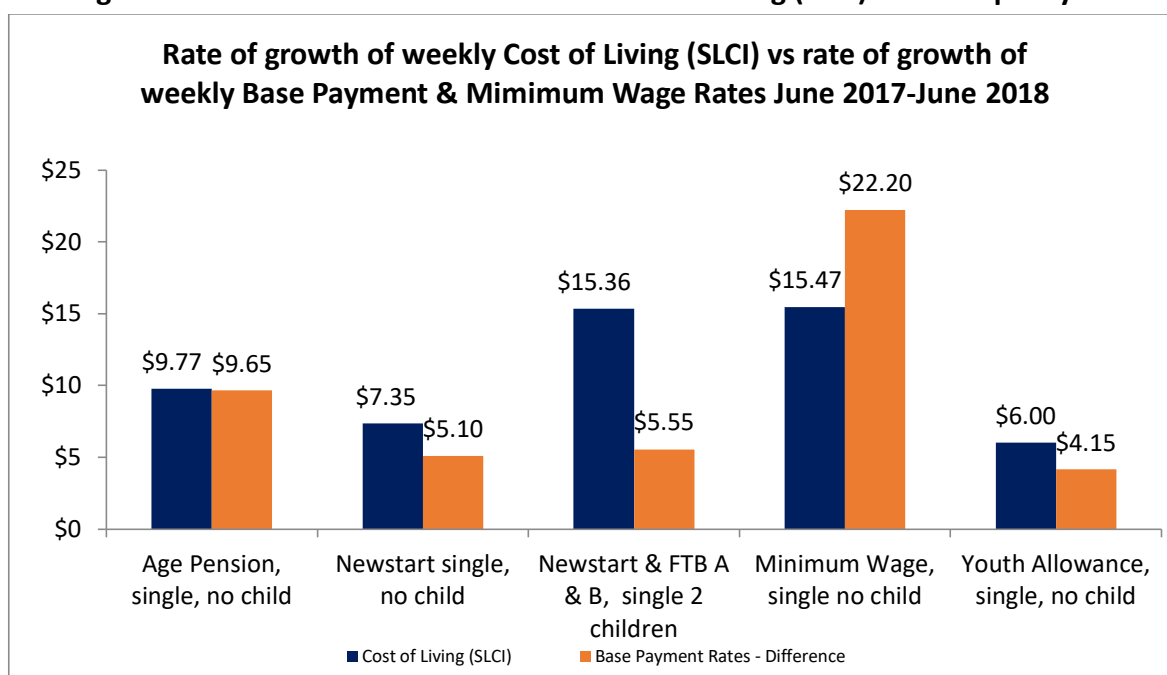
Sources: Centrelink 2017, p. 2, 5, 13, 25, 27, 32-33, 38-39;

Centrelink 2018, p. 2, 5, 13, 25, 27, 32-33, 38-39; Fair Work Commission, 2018.

*NB: For simplicity, some supplements & Rent Assistance are not included in Figure 2, as they can vary from person to person.

Figure 2 below 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 Incomes vs Cost of Living (SLCI) over the past year



Sources: Centrelink 2017, p. 2, 5, 13, 25, 27, 32-33, 38-39; Centrelink 2018, p. 2, 5, 13, 25, 28, 33-34, 39-40; Fair Work Commission, 2018; ABS 2018a.

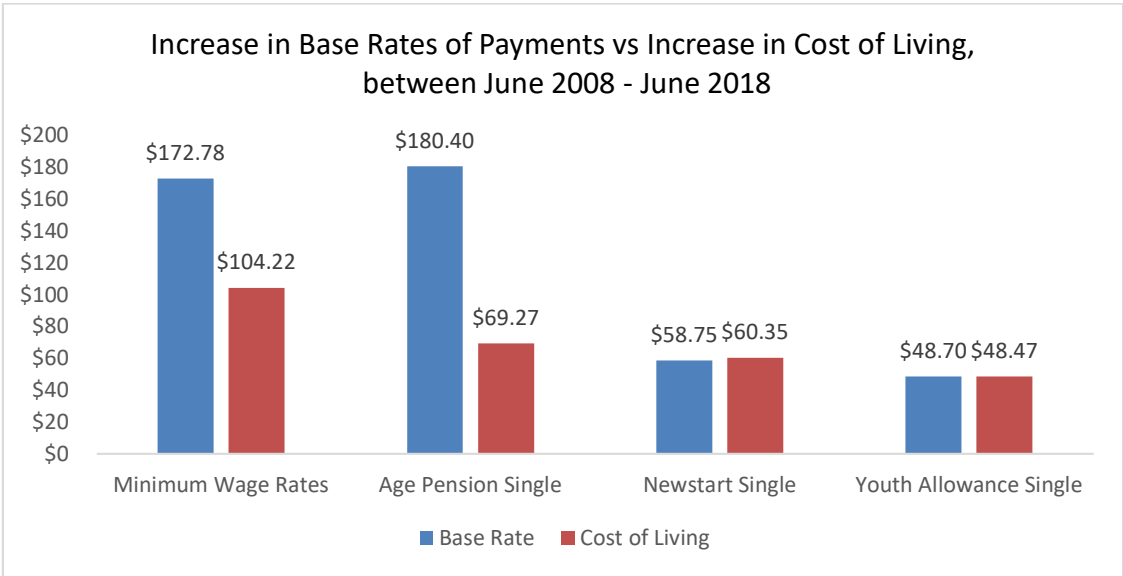
As Figure 2 shows, the rise in cost of living for a single pensioner has risen at a rate (\$0.12) a little bit above the rise in the pension over the past year, for a single pensioner. For single Newstart recipients without children, the rise in the cost of living has risen \$2.25 per week more than the rise in payments. For single Newstart recipients with two children, the rise in the cost of living has outstripped payments by \$9.81 per week (around \$511 per year). For single Youth Allowance recipients, the rise in the cost of living been \$1.85 per week more than the rise in payments over the past year.

In comparison, for a single person (no children) on the minimum wage, the rise in cost of living was \$6.73 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. (Note: The rate of growth of the SLCI is calculated by multiplying the June 2017 base payment rate by the percentage increase in the SLCI over the past year for the relevant payment type).

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).

Figure 3 shows a comparison of the changes in payment rates and cost of living over a longer period of time, and highlights that age pension payments and minimum wage rates have more than adequately kept up with cost of living changes over the past ten years. In the case of Newstart, however, the rate of increase in the base rate of payments has been lower than the cost of living increases; and the Youth Allowance has just managed to keep up with cost of living increases over this ten-year period.

Figure 3: Increase in Rate of change of Minimum Wage vs Income Support Payments (Single) compared with cost of living increases - over the past decade



Sources: Centrelink 2017, p. p. 2, 5, 13, 25, 27, 32-33, 38-39; Centrelink 2018, p. 2, 5, 13, 25, 27, 32-33, 38-39; Fair Work Commission, 2018.

- Ironically the base rate of Newstart in 2018, of \$277.80 per week) has only recently caught up with the 2008 base rate of the Age Pension of \$273.40

Struggling on Newstart and Youth Allowance

Living on \$226.40 per week on Youth Allowance or \$277.30 on Newstart (single rate), means housing, food, transport, health and utilities bills all have to be squeezed into a very small payment. At June 2018 these payments were around \$417-\$468 under the Minimum Wage⁴ of \$694.90 per week (Fair Work Commission, 2017). Where unexpected bills occur (e.g. large electricity bills), other essential items might have to be forgone (e.g. less money for food).

Research from the University of NSW (2017, cited in ACOSS 2018a), showed that it costs a single person a minimum of \$433 per week to cover basic household expenses such as “housing, food, transport etc.” – but this amount is more than \$150 over the base rate of Newstart.

⁴ NOTE: The Minimum Wage figure referred to of \$694.90 is for a 38-hour week (before tax) for the period 1 July 2017 – 30 June 2018.

People on Newstart and Youth Allowance include sole parents, people with disability or mental illness, long term unemployed, and people (Newstart only) aged between 50-64, many who face significant employment barriers. In addition, for every eight people who are looking for paid work (or for an increase in hours), there is only one job available (ACOSS 2018a, p.1).

It is also very difficult for people to successfully look for work, if they are homeless or worried about putting food on their table. If people are merely trying to survive because they are living below the poverty line, they will not have appropriate energy to look into job-seeking.

Pension Indexation System and the Inadequacy of Allowance Payments

Figure 2 and 3 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 pensions do not drop behind society averages (See Explanatory Note 4), though over the past year the pension did marginally lag behind the rise in the SLCI (by \$0.12 per week, as calculated by NTCOSS, based on CPI and Centrelink data). *NB: The Disability Support Pension rate is identical to the Age Pension rate, but for simplicity reference is made to the Age Pension.*

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 \$176 per week lower than the age pension. \$39 a day is simply not enough for an individual to live on.** More than half (55%) of people on Newstart live below the poverty line (ACOSS 2018a, p.1). The rate of Youth Allowance is \$227 below the rate of Age Pension.

Raising the Rate of Newstart and Youth Allowance

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”. This would 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).

The recent report by Deloitte Access Economics and ACOSS (2018), documents the broader societal benefits of increasing allowance payments by \$75 per week – including a boost in the national economy by around \$4 billion, and the creation of “some 12,000 extra jobs” due to increased spending, and cites research that “higher incomes for the unemployed and other groups who are disadvantaged may lead to better national outcomes on indicators such as health” (Deloitte Access Economics/ACOSS 2018, p. iii).

In addition, the regional communities (where unemployment rates are generally the highest) who are most in need of help, would benefit from increasing allowance payments (Deloitte Access Economics/ACOSS 2018, p. v). Total disposable incomes will increase across all local governments in the country, including the following areas in the NT:

- Darwin \$9.91M
- Alice Springs \$7.47M
- East Arnhem \$5.65M
- West Arnhem \$4.57M
- Palmerston \$4.26M
- Roper Gulf \$3.91M
- MacDonnell \$3.88M
- Barkly \$3.54M
- Central Desert \$2.92M
- Katherine \$2.83M (Deloitte/ACOSS 2018, p.40-48, see full list in Appendix D, p.):

There are a number of prominent organisations and individuals around the country calling for an increase in Newstart payments as has been called for by ACOSS and other COSSes.

“More than two thirds of people support an increase to Newstart, as do all the leading charities, community organisations, the Committee for Economic Development, Deloitte Access Economics, KPMG, Australian Industry Group, and the Business Council of Australia. Benjamin Law, Jane Caro, John Howard, Ken Henry all back an increase, as do the Greens, Senators Tim Storer and Derryn Hinch and the ACT Chief Minister Andrew Barr” (ACOSS 2018b), **as well Michael Gunner Chief Minister of the Northern Territory** (Gunner 2018).

NT Chief Minister Gunner has recently stated: “Could you live on \$39 per day?” I support giving young people a fair go and helping them get jobs. That's why the Federal Government should raise the rate of Newstart and Youth Allowance - you can't look for work if you're homeless and hungry” (Gunner 2018).

In addition, there are now 14 Local Councils supporting an increase to Newstart, and the National Assembly of Local Government also passed a motion of support (ACOSS 2018b).

Northern Territory Concession Scheme and its role in Cost of Living Relief

As per the previous Cost of Living report (No.20, Part 1) NTCOSS continues to advocate for people on the lowest incomes historically excluded from access to the NT Pensioner and Carer Concession Scheme (i.e. many Centrelink Health Care Card holders namely Newstart and Youth Allowance recipients) and now excluded from the new NT Concession Scheme, be provided electricity and motor vehicle concessions through the new scheme.

In addition, NTCOSS echoes its call for the NT Government reviews and reforms the eligibility criteria of the Northern Territory Concession Scheme to consider the reinstatement of low-income households now excluded – e.g. Carer Allowance recipients (subject to a means test);

low-income health care card holders; Pensioner Concession Card holders (who don't meet other eligibility criteria), and low-income self-funded retirees (subject to a means test).

Extending the eligibility for the electricity to these now excluded groups (and all recipients of a Centrelink Health Care Card) would support the role of government in adequately addressing inequality and providing appropriate social supports to those who need it most.

Read the NTCOSS [Cost of Living Report No. 20, Part 1](#)

Purpose and rationale for Concessions – the link with Regressive Tax System

Concessions in Australia have historically been introduced across states and territories to provide a rebate for low-income households in order to ease cost of living pressures – and in part to offset regressive taxation systems. Taxes on goods and services such as electricity and water are applied in the same way across the board regardless of one's income.

This financial year the Power and Water Corporation and Jacana Energy have budgeted to provide a combined amount of \$23.6 million (for electricity and water) back to the NT Government (NT Government 2018b, p.80) in the form of a Public Authority Dividend (PAD). This dividend is obtained through charges applied to each customer's bill for household usage.

The higher a household's bill, the higher its effective contribution to the PAD charges will be, and these contributions represent a greater proportion of household income (regressive) for low-income households. Many concessions from states and territories therefore are designed to provide tax relief (or preferential taxation) for specific eligible households (generally low-income), by compensating for the higher tax component they are effectively contributing to. This therefore mitigates the regressive nature of state/territory taxes and charges.

The electricity concession (up to \$1200 per household per year) provides this tax relief to eligible households. There are however, many low-income households⁵ in the Territory (which NTCOSS estimates to be around 7000 households) that **are not** eligible for concessions and are therefore missing out on the tax relief which those eligible for concessions receive.

NTCOSS believes further exploration of this issue is required. One possible step would be for the NT Government (or NT Parliament) to explore the impact of the public authority dividend (for electricity), and the associated concessions framework on Centrelink Health Care Card holders in the NT.

See p.6 of NTCOSS [submission to the NTPCCS Scheme Review \(abridged\)](#)

⁵See basis for estimation in Appendix C

REPORT RECOMMENDATIONS

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

1. That the NT Government urges the Commonwealth Government to increase the base rate of allowance payments, e.g. Newstart, Youth Allowance by \$75 per week. In addition, these payments must be indexed to wage and price movements.
2. That the Commonwealth and NT Governments improve employment services so that people locked out of the labour market receive the help they need to get paid work.
3. That the NT Government reviews and reforms the eligibility criteria of the Northern Territory Concession Scheme to consider the reinstatement of low-income households now excluded – e.g. Carer Allowance recipients (subject to a means test); low-income health care card holders; Pensioner Concession Card holders (who don't meet other eligibility criteria), and low-income self-funded retirees (subject to a means test).
4. That the NT Government (or NT Parliament) explores the impact of the public authority dividend (for electricity) and the associated concessions framework on Centrelink Health Care Card holders in the Northern Territory.
5. That the NT Government extend the Electricity and Motor Vehicle Registration Concessions (under the NT Concession Scheme) to all Centrelink Health Care Card Holders. This would include all those who are on the Newstart and Youth Allowance and Widow Allowance payments.

APPENDICES

Appendix A: Table 6: CPI Changes, Expenditure Type Darwin vs National – past quarter and past year

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

Cost of Living area	CPI	
	Past Year June 2017 – June 2018 (% change)	
	Darwin	Australia
Food & Non-Alcoholic Beverages	-0.2 %	0.3%
Meat and seafood	0.8%	1.1%
Dairy & related products	1.8%	1.0%
Fruit	6.3%	4.5%
Vegetables	-10.3%	-8.7%
Alcohol & Tobacco	7.6%	7.8%
Alcohol	1.8%	2.3%
Tobacco	17.3%	16.6%
Clothing & Footwear	0.4%	-2.0%
Housing (includes utilities)	-1.7%	3.1%
Rents	-5.8%	0.6%
New dwelling purchase by owner-occupiers	0.4%	2.7%
Maintenance and repair	1.0%	2.1%
Property rates and charges	2.4%	2.6%
Utilities	0.5%	8.0%
Water & sewerage	0.5%	3.2%
Electricity	0.5%	10.4%
Gas and other household fuels	3.9%	7.1%
Furnishings, household equipment/services	-0.7%	-0.5%
Child care	4.0%	6.0%
Health	1.8%	3.4%
Medical and hospital services	2.1%	4.3%
Dental services	-0.3%	0.8%
Transport	7.7%	5.2%
Automotive fuel	16.5%	16.3%
Urban transport fares (Public transport)	1.0%	2.8%
Communication	-4.8%	-4.2%
Telecommunication equipment/ services	-5.2%	-4.7%
Recreation & Culture	0.1%	0.8%
Audio, visual and computing equipment and services	-6.2%	-4.1%
Audio, visual and computing equipment	-11.1%	-9.0%
Audio, visual and computing media and services	0.3%	2.4%
Education	4.7%	2.7%
Insurance and financial services	3.3%	1.5%
Insurance	4.4%	5.4%
CPI All Groups	1.2%	2.1%

Source: ABS 2018c Data 4, 5, 6

Appendix B: Calculations used for Weekly payment rates - used in Figures 1, 2

Table 7a Weekly Payment Rates at 19 June 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)	\$404.15	\$32.95	\$7.05					\$444.15
Newstart (single, no children)	\$267.80		\$4.40					\$272.20+
Newstart (single, 2 children)	\$289.65		\$11.46*	\$91.42	\$118.93	\$54.32	\$3.10	\$568.88
Youth Allowance (single, no children)	\$218.75		\$3.50					\$222.25

Table 7b Weekly Payment Rates at 19 June 2018

	BASE RATE	Pension Support	Energy Supp	FTB A Child u13	FTB B Child 13-15	FTB B	Pharma Benefit	TOTAL PAYMENT
Age Pension (single)	\$413.10	\$33.65	\$7.05					\$453.80
Newstart (single, no children)	\$272.90		\$4.40					\$277.30
Newstart (single, 2 children)	\$295.20		\$11.46*	\$91.42	\$118.93	\$54.32	\$3.10	\$574.43
Youth Allowance (single, no children)	\$222.90		\$3.50					\$226.40

Sources: Centrelink 2017, p. 2, 5, 12, 23, 26, 32, 37-38; Centrelink 2018, p. 2, 5, 11, 13, 25, 27, 28, 32-34, 38-39.

NB: All figures based on max payment rates where relevant. 2 children for Newstart calculation based on one under 13 y.o.; and one b/w 13-15 y.o.; 2 children for Parenting payment single based on both children under 5. *Note: For Newstart (single) with children the Energy Supplement of \$11.46 (\$4.75 + \$4.75+\$1.96) is larger than some previous reports - recipients are eligible for the Energy Supplement for each child 0-12; 13-15 for whom they get FTB A, and they are also eligible for another payment, one only, (based on age of youngest child) where they receive FTB B. NTCOSS omitted to apply this to previous reports.

Appendix C: Calculations used for estimate of number of low income households in the NT, not eligible for the concession scheme

The following table shows the number of Centrelink Income Support recipients who are receiving a low-income level of payment – and not eligible for the new NT Concession Scheme (unless a NTPCCS recipient has been grandfathered from the old scheme). Given the ratio of 2.9 individuals per household across the Territory (ABS 2018d), the total number of individuals on these payment types has been divided by 2.9 to get an approximate household number.

Note that the Carer Allowance figure of 3279 is not included in this total, as it is not known how many of these recipients are in low income households - but it means the figure of 7000 is possibly an underestimate of the number of low income households whom NTCOSS believes should be included in the NT Concession scheme – at least for the electricity concession.

Table 8 Number of Centrelink Income Support recipients who are receiving a low-income level of payment in the Northern Territory – March 2018

Carer Allowance (Child Health Care Card only)	Low Income Card	Newstart Allowance Partnered	Newstart Allowance Single	Parenting Payment Partnered	Sickness Allowance	Special Benefit	Widow Allowance	Youth Allowance (other) Partnered	Youth Allowance (other) Single	Total
113	1,030	6,012	8,787	2,688	42	22	61	249	2,024	21,028

Source: Australian Government 2018

Blue font categories automatically receive a Health Care Card

Carer Allowance figure of 3279 not included in total, as not known how many of these recipients are in low income households

Table 9 Calculating the estimate of the number of households missing out on concessions

Population NT – March 2018	228,833
Households NT – March 2018	89,959
Average persons per household	2.9
Number of low income individuals missing out on concessions	21,028
Estimated number of households missing out (21,028 divided by 2.9)	7251 (rounded down to 7000)

Source ABS 2018e Census Figures, Quick Stats, Australian Government 2018

<http://www.abs.gov.au/websitedbs/censushome.nsf/home/quickstats?opendocument&navpos=220>

Appendix D: Northern Territory Local Government Areas - Outcomes for key economic indicators, Total increase (\$M), 2018-19 – adapted from Deloitte/ACOSS 2018 Report Table A.2

Table 10:

Local Government Area	Disposable Income (\$Millions)
Darwin (C)	\$9.91
Alice Springs (T)	\$7.47
East Arnhem (R)	\$5.65
West Arnhem (R)	\$4.57
Palmerston (C)	\$4.26
Roper Gulf (R)	\$3.91
MacDonnell (R)	\$3.88
Barkly (R)	\$3.54
Central Desert (R)	\$2.92
Katherine (T)	\$2.83
West Daly (R)	\$2.29
Tiwi Islands (R)	\$2.08
Litchfield (M)	\$2.00
Unincorporated NT	\$1.26
Victoria Daly (R)	\$1.11
Coomalie (S)	\$0.39
Belyuen (S)	\$0.23
Wagait (S)	\$0.07

Source: Deloitte/ACOSS 2018 p. 40-48 (adapted from Table A.2: Outcomes for key economic indicators for each local government area, Total increase (\$m), 2018-19)

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 2018b).

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 2018b).

“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 Veteran’s 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 Veteran’s 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 2018b).

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, 2018b). 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 & 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).

“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.*

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