

# COST OF LIVING REPORT

**March 2019**

**Issue  
23**

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

## General Cost of Living 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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### **NTCOSS Cost of Living Report - Issue No. 23, March 2019**

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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 ABS Consumer Price Index (CPI) for Darwin across a range of expenditure areas that are most relevant to low income households, covering the bare essentials which make the majority, or possibly the total expenditure items for these households.

Given that CPI figures only reflect trends for capital cities (and Australia as a whole), the report draws on other sources to show trends in price movement for the Northern Territory, as well as for some regional locations. Regional housing, utilities and transport cost data is highlighted using various sources of information.

National data derived from the ABS Selected Living Cost Index (SLCI), which provides information on cost of living changes for specific income groups, such as Age Pensioners, and Other Government Transfer Recipients (e.g. Newstart, Youth Allowance) is also used.

## REPORT SUMMARY – SNAPSHOT OF MAJOR FINDINGS

### Cost of Living Changes – Consumer Price Index, Darwin

#### Consumer Price Index – over the past year (ending December 2018)

The Consumer Price Index (CPI) has remained low in Darwin across the last year (1.2% vs national increase of 1.8%).

Some **price increases** have occurred in key expenditure areas:

- Fuel up 10.8%
- Insurance up 2.3%
- Hospital and medical services up 2.8%
- Education up 4.7%

Some **price decreases** have occurred in key expenditure areas:

- Audio, visual and computing equipment down 7.3%
- Telecommunication & equipment/services down 5.0%
- Child care down 6.7%
- Rents down 4.4%

(ABS 2018d)

#### Consumer Price Index – over the past quarter (ending December 2018)

The Consumer Price Index (CPI) was also low for Darwin in the past quarter (0.2% vs national increase of 0.5%) (ABS 2018d).

#### Fuel CPI down bringing some relief for motorists

Despite the overall rise for fuel over the past year, the Fuel CPI actually **decreased in the last 2018 quarter (-0.5%) in Darwin, (ABS 2018d), bringing some relief to motorists.**

*While the CPI figures are specific to Darwin – other data shows that unleaded fuel prices have also decreased over the final quarter of 2018 and have continued to fall in the Alice Springs, Tennant Creek and Katherine regions in 2019, though prices are still much higher than in Darwin. In addition, prices are very high in the more remote areas.*

(NT Government 2018b, 2019a, 2019b)

## Regional Fuel Costs

### Economic Brief Data – Change in prices between Sep 2018 - Feb 2019

#### Unleaded Fuel

- Darwin region: Prices decreased by around 27 cents per litre (cpl).
- Katherine region: Prices decreased by around 12 cpl.
- Tennant Creek region: Prices decreased by around 5 cpl.
- Alice Springs region: Prices decreased by around 4 cpl.

*Darwin and Katherine prices are now lower than what they were in January 2018, but Tennant Creek and Alice Springs prices are higher.*

- Despite the recent drop, motorists in the Tennant Creek (186.4 cpl) and Alice Springs (185.2 cpl) regions are still **paying almost 60 cpl more than in Darwin.**
- In the Katherine region, despite the recent drop, motorists (161.6 cpl) are paying **over 30 cpl more than motorists in Darwin.**

#### Diesel

- Darwin region: Prices are significantly lower in Darwin (140.9 cpl) and lower than they were in Jan 2018, and below the national average (144.3 cpl).  
(NT Government 2018b, 2019a), (NT Government 2018 a, b; 2019a)

#### MYFuel NT data

- MyFuel NT data highlights that while there have been some average price decreases in recent times in some regional areas, motorists in most remote areas are still paying extraordinarily high prices for fuel.

#### Examples as at 24 February 2019

- **Low Aromatic Fuel: 330.0 cpl** (East Arnhem Region)
- **Unleaded 91: 241.0 cpl** (Tiwi Islands)
- **Diesel: 294.0 cpl** (East Arnhem), **270.0 cpl** (Top End Rural) **or 260.0 cpl** (Central Australian Region)  
(NT Government 2019b)

### Index the Motor Vehicle Registration Concession & Extend to all Health Care Card holders

The Motor Vehicle Registration Concession has not been increased for almost a decade. Yearly indexation in line with yearly fee increases would provide cost of living relief for eligible households. In addition, extending eligibility for the concession to all health care card holders would relieve cost of living pressure for many more low-income households.

## Regional Data on Housing Prices

### Rental Prices - over the past year

#### *Palmerston and Darwin*

- Rent prices have generally decreased (or stayed the same).
- One exception is 1 and 2 BR units/townhouses in Darwin North East which have risen by 23.9% and 4.3% respectively.

#### *Katherine*

- In Katherine, rents have increased for a 4 BR houses (10.0%) and 3BR units/townhouses (up 11.1%).

#### *Alice Springs*

- In Alice Springs, rents have increased for 3 BR houses (2.0%) and 2 and 3 BR units/townhouses (up 4.7% and 5.2%).

(REINT 2019, p.24, 25).

### Sales Prices – over the past year

#### *Residential houses*

- Prices have decreased or stayed the same for all areas, apart from Alice Springs (up 1.6%).

#### *Residential units/townhouses*

- Prices have risen in most areas apart from Inner Darwin (down 22.8%).
- The most marked price rise was in Alice Springs (40.3%).

(REINT 2019, p.5, 7).

## Utilities Prices across the NT

Electricity prices rose 1.2% over the past year, and Water & Sewerage prices also rose by 1.2% (both rising at the same rate of the general inflation for Darwin of 1.2%).

(ABS 2018d).

## Income Support Payments and Living Cost rises

### Cost of Living

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 rise in payments, especially for Single Newstart recipients with children. The cost of living for Newstart recipients with 2 children rose by \$5.69 per week over the past year, which equates to around \$290 per year.

(ABS 2018a; Centrelink 2017, 2018)

### Inadequacy of Newstart and Youth Allowance Payments

Newstart and Youth Allowance payments continue to lag behind pensions - \$178 and \$231 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).

### Raise the Rate of Newstart and Youth Allowance

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**. This is one way that the Federal Government can make an immediate difference to cost of living pressure for many low-income Territory households.

The Territory Government may be limited in influencing the price of certain goods and services such as fuel, but they can determine the rate of concessions for eligible low-income households as well as who can access them. Increasing eligibility to all low-income households for some concessions would reduce cost of living pressure for many low-income Territory households.

## REPORT RECOMMENDATIONS

Drawing on recommendations from recent Cost of Living reports, **NTCOSS calls on the NT Government** to:

1. Establish yearly indexation of the Motor Vehicle Registration concession, in line with the yearly increases in Registration and Compulsory Third-Party Insurance costs;
2. Implement further reforms to the eligibility criteria of the Northern Territory Concession Scheme to reinstate 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); and
3. Extend the Electricity and Motor Vehicle Registration Concessions (under the NT Concession Scheme) to all Centrelink Health Care Card Holders (all those on Newstart, Youth Allowance and Widow Allowance payments).

In addition, **NTCOSS calls on the Federal Government** to:

4. 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; and
5. Conduct a review of the adequacy of Commonwealth Rent Assistance, including indexation arrangements, and an immediate increase to the maximum rate of 30% to relieve acute housing stress (as per recommendation by ACOSS 2016, p.3).

In addition, **NTCOSS calls on the Federal and NT Governments** to:

6. Strengthen and increase employment services so that people locked out of the labour market receive the help they need to get paid work.

## PRICE CHANGES, LIVING COST INDEXES & INCOMES

### Price Movement in Goods and Services (CPI) in Darwin

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

<b>Darwin</b>	↑	0.2%	vs Australia	↑	0.5% (in last quarter - to Dec 2018)
<b>Darwin</b>	↑	1.2%	vs Australia	↑	1.8% (over past year – to Dec 2018)

ABS 2018d, Table 10, 11

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

Increases in Darwin over past 12 months	Decreases in Darwin over past 12 months
<i>Automotive fuel</i> ↑ 10.8% vs Australia ↑ 6.7%	<i>Audio, visual and computing equipment</i> ↓ 7.3% vs Australia ↓ 8.8%
<b>Education</b> ↑ 4.5% vs Australia ↑ 2.7%	<i>Telecommunication &amp; equipment/services</i> ↓ 5.0% vs Australia ↓ 4.7%
<i>Hospital and medical services</i> ↑ 2.8% vs Australia ↑ 4.3%	<i>Child Care</i> ↓ 6.7% vs Australia ↓ 8.3%
<i>Insurance</i> ↑ 2.3% vs Australia ↑ 2.9%	<i>Rents</i> ↓ 4.4% vs Australia ↑ 0.5%
<i>Dental Services</i> ↑ 1.5% vs Australia ↑ 1.3%	<i>Fruit</i> ↓ 2.6% vs Australia ↑ 1.9%

ABS 2018d, Table 10

Note: Alcohol increased by 5.2% vs Australia 1.8% - with the difference most likely attributable to the introduction of the floor price on takeaway alcohol of \$1.30 per standard drink across the NT from 1 October 2018. The 3.8% increase in alcohol over the last quarter was the highest quarterly increase for alcohol since 1992. Tobacco increased by 14.8% vs Australia 15.0%, over the past year.

**Table 1c: Significant CPI Changes in Darwin vs National over the past quarter (to December 2018)**

Increases in Darwin over past 3 months	Decreases in Darwin over past 3 months
<i>Fruit</i> ↑ 4.6% vs Australia ↑ 5.0%	<i>Audio, visual and computing equipment</i> ↓ 3.4% vs Australia ↓ 3.3%
<i>Breakfast cereals</i> ↑ 3.1% vs Australia ↑ 3.9%	<i>Pharmaceutical products</i> ↓ 2.5% vs Australia ↓ 1.9%
<i>Meat and seafoods</i> ↑ 1.9% vs Australia ↑ 1.6%	<i>Automotive fuel</i> ↓ 0.5% vs Australia ↓ 2.5%

ABS 2018d, Table 11

Note for Figures 1b and 1c, major CPI categories are displayed in bold; with sub-categories in italics. See also Appendix A

## Low overall CPI growth in Darwin over past year – but fuel CPI down in last quarter

The CPI for Darwin (CPI All groups) rose at a slower rate than the national rise over the past year (1.2% vs 1.8% respectively) (ABS 2018d).

### CPI Increases over the past year in Darwin (year ending Dec 2018)

Some significant rises have occurred in Darwin, within CPI categories/sub-categories.

- The CPI for fuel **increased by 10.8% overall**, above the national trend (6.7%);
- Insurance up 2.3% (vs up 2.9% nationally);
- Hospital and medical services up 2.8% (vs up 4.3% nationally); and
- Education up 4.5% (vs up 2.7% nationally) (ABS 2018d).

Price rises in key expenditure areas like fuel, insurance, hospital and medical services and education (well above the general inflation rate) **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.

### CPI changes over the past quarter in Darwin – Fuel CPI down bringing some relief for motorists

Despite the overall rise for fuel over the past year, the Fuel CPI actually **decreased in the last quarter of 2018 (-0.5%) in Darwin**, (ABS 2018d), **bringing some relief to motorists**. The national decrease was even greater at -2.5% (ABS 2018d).

*While the CPI figures are specific to Darwin – other data shows that unleaded fuel prices have also decreased over the final quarter of 2018 in Alice Springs, Tennant Creek and Katherine, though prices are still much higher than in Darwin (see below) (NT Government 2018a).*

### CPI Decreases over the past year (ending Dec 2018)

Notable CPI decreases occurred in the following areas:

- Audio, visual and computing equipment down 7.3% (vs down 8.8% nationally)
- Telecommunication & equipment/services down 5.0% (vs down 4.7% nationally)
- Child care down 6.7% (vs down 8.3% nationally)<sup>1</sup>; **good news for low income households**
- **Rents** down 4.4%, against the national trend (up 0.5%) (ABS 2018d).

The CPI for rents in Darwin has dropped for 16 quarters in a row (ABS 2018d), but for some Darwin households rents are still out of reach. A recent Rental Affordability Snapshot (Anglicare 2018), showing rental prices continue to place a strain on many lower income households across the NT, (including Darwin) and especially those households reliant on Centrelink payments.

In addition, the Darwin rents CPI doesn't reflect price changes across other parts of the NT. REINT (2018) data reveals that rent prices in Alice Springs and Katherine have risen across various housing types; and for some units/townhouses in Darwin North East (see below).

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<sup>1</sup> On 2/7/18 the Child Care Subsidy replaced the Child Care Rebate & Child Care Benefit, leading to lower child care costs (ABS 2018c)

## Snapshot of Cost of Living Changes in the NT

### Housing & Utilities Price Movement across the NT

In relation to rent price changes over the past year regional data from the REINT shows:

- In Palmerston and Darwin rent prices have generally decreased (or stayed the same) over the past year (apart from 1 and 2BR units/townhouses in Darwin North East which have risen by 23.9% and 4.3% respectively);
- In Katherine, rents have increased for a 4BR houses (10.0%) and 3BR units/townhouses (up 11.1%); and
- In Alice Springs, rents have increased for 3BR houses (2.0%) and 2 and 3BR units/townhouses (up 4.7% and 5.2%). (REINT 2019, p.24, 25).

In relation to house sales price changes over the past year, REINT data shows:

- Residential house prices have decreased or stayed the same for all areas, apart from Alice Springs (up 1.6%); and
- Residential units/townhouse prices have risen in most areas (apart from Inner Darwin (down 22.8%). The most marked rise was in Alice Springs (40.3%) (REINT 2019, p.5, 7).  
(See also Appendix B: Housing Price changes over the past 12 months – Regional Areas)

### Utilities Price Movement and Impact of Heatwaves across the NT

The CPI for Electricity and Water and Sewerage both increased by 1.2% over the past year - at the same rate as general inflation for Darwin, however, with the very hot weather experienced in vast parts of the NT, many people will have faced higher electricity bills than normal – as they try to keep cool around the clock. For a large number of Territorians who use evaporative air-conditioners, they would also face an increase in water usage leading to higher water bills (or excess water bills in the case of renters).

While the NT has a substantial concession program available for households who meet eligibility criteria (e.g. pensioners, some seniors), there are many households who still miss out. People in remote communities are particularly vulnerable - where temperatures can be the harshest and where access to other means of cooling (e.g. swimming pools) may be very limited. Climate warming presents a significant challenge for the NT Government and for all Territorians and is an issue that is not going to go away. It is imperative that measures be put in place to ensure affordable reliable energy is accessible to all households across the NT, particularly those with low incomes.

To this end, NTCOSS has made a specific recommendation regarding the need for the Northern Territory Government to implement further reform regarding the eligibility criteria of the Northern Territory Concession Scheme to ensure all low-income households are included (see Report Recommendations on p.7). In addition, there are further complementary measures that need to be considered in the medium to long term – such as further development of solar energy options for low-income households both in remote and urban areas.

## Fuel Price Movement across all regions of the NT

### Recent Fuel Price Decreases

It is not possible to do a comparison of the 12-month period from December 2017 to December 2018, as NT Government Economic Briefs on Fuel Prices do not cover December months. Given the recent drop in the CPI for fuel for Darwin in the last quarter of 2018, it is useful to examine price changes across different regions of the NT over the same period, and into the beginning of 2019. It is important to bear in mind that the CPI figure is a generic figure covering all fuel types – whereas the following data is specific to unleaded fuel, as well as diesel.

### Summary of recent Fuel Price Changes

#### **Economic Brief Data – Change in prices between September 2018 and February 2019**

##### **Unleaded Fuel (regional prices – which include surrounding areas):**

- Darwin region: Prices decreased by around 27 cents per litre.
- Katherine region: Prices decreased by around 12 Cents per litre.
- Tennant Creek region: Prices decreased by around 5 cents per litre.
- Alice Springs Prices decreased by around 4 cents per litre (NT Government 2018b, 2019a).

*In both the Darwin and Katherine regions, the average price of unleaded fuel is now lower than the average prices in February 2018; whereas for the Tennant Creek and Alice Springs regions prices are higher now than they were in February 2018 (NT Government 2018a, 2019a).*

##### **Prices still very high in the Tennant Creek and Alice Springs regions**

- Despite the decreases in price since September, motorists in the Tennant Creek (186.4 cents per litre) and Alice Springs (185.2 cents per litre) regions are still **paying almost 60 cents per litre more than motorists in Darwin**
- In the Katherine region, despite the decrease there, motorists (161.6 cents per litre) are still **paying over 30 cents per litre more than motorists in Darwin.**

##### **Diesel (regional price – which includes surrounding areas):**

- Darwin region: The average price has significantly decreased (-15.4 cents per litre) to the point that prices in Darwin are lower (140.9 cents per litre) than what they were in February 2018, and lower than the national average (144.3 cents per litre) (NT Government 2018a, 2019a).

*(See also Appendix C: Fuel Prices across major centres of the NT)*

### **My Fuel NT Data across the NT**

MyFuel NT figures need to be interpreted with some caution, as the average figures supplied do not provide a weighted average. The data for the Darwin region does reveal similar trends in prices to the trends in the Economic Brief data, and the CPI data (bearing in mind the CPI data provides a

figure for all fuels combined). The My Fuel NT data shows a significant price decrease in December, and again in January, and a slight decrease only in February (NT Government 2019b).

The price trends for the Barkly and Central Australian regions show a similar pattern to the Economic Brief data, though for the Katherine region there are some differences between the Economic Brief data and the MyFuel data (NT Government 2019b).

### ***Extraordinarily High Remote Fuel Prices***

Despite the limitations in the data, the My Fuel App is a useful tool for getting a picture of fuel prices across all regions and many smaller communities across the NT. In particular the data does reveal the extremely high prices charged in some areas of the NT, at particular points in time, e.g. as at 24<sup>th</sup> of February 2019:

- **Unleaded fuel costs as much as 241 cents per litre on the Tiwi Islands, or 230 cents per litre in a remote area in the Central Australian region.**
- **Low Aromatic fuel cost as much as 330 cents per litre in East Arnhem Land, or 260 cents per litre in a top end rural location.**
- **Diesel costs as much as 294 cents per litre in East Arnhem or 270 cents per litre in a Top End Rural community, or 260 cents per litre in a Central Australian community** (NT Government, 2019b).

*(See also Appendix D: MyFuel NT Data over the past year)*

**Note re: Transport Affordability Index (TAI):** At the time of publishing of this Cost of Living Report the December quarter Transport Affordability Index had not yet been released – therefore not allowing a comparison of the TAI figures for Dec 2017 and Dec 2018.

## Impact of Transport Costs on Low-income Households – especially in Remote Areas

Transport is essential for people looking for work, who are in education or training, or for accessing health services, banking and shopping. Access to affordable fuel is particularly important for low-income households – especially those in remote or regional areas where public transport options are limited or non-existent. The current extremely high fuel prices in many remote areas impact greatly on household budgets.

While governments have limited options when it comes to influencing petrol prices, they can influence costs in other areas – for example by reducing the cost of car registration and insurance – which is an essential expenditure area for all car owners. In addition, governments also play a vital role in the provision of targeted cost of living relief for low income households.

While there is a motor vehicle registration concession in place for people eligible for the NT Concession Card scheme – **this concession has remained at the same level of \$154 per year since 2010 despite prices rising significantly in this time** (e.g. \$170.90 for 12 months rego for a small vehicle (NT Government 2018d, p.1, NTCOSS 2016, p.21).

Addressing indexation of the Motor Vehicle Registration Concession and extending it to people on the lowest incomes such as those on Newstart and Youth Allowance is one way that the NT Government could bring some immediate relief to a large number of low-income households.

In addition, the NT Government could extend the motor vehicle registration concession to all Health Care Card holders (such as occurs in Victoria) which would provide further cost of living relief for additional low-income households.

Government also has a critical role in the development and provision of safe, affordable and accessible public transport systems. Development of more public transport options in the Territory is a direct way that the Government can assist with the provision of more affordable transport options. Long term this will be essential from an environmental point of view, to reduce reliance on private motor vehicles and the associated carbon emissions.

## 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).

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).

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 shift 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) National figures Dec 2017 – Dec 2018

Table 2a: Changes in SLCI figures over the past year (to Dec 2018)

National CPI all groups	↑	1.8%	
SLCI for Age Pensioners	↑	2.0%	which is <u>above</u> CPI increase
SLCI for Other Government Transfer Recipients	↑	2.1%	which is <u>above</u> CPI increase
SLCI for Employee Households	↑	1.9%	which is <u>above</u> CPI increase
SLCI for Self-funded Retirees	↑	2.2%	which is <u>above</u> CPI increase

*SLCI Figures taken from ABS 2018a and CPI figures taken from ABS 2018d, Table 11*

**Table 2b: Changes in SLCI figures over the past quarter (to Dec 2018)**

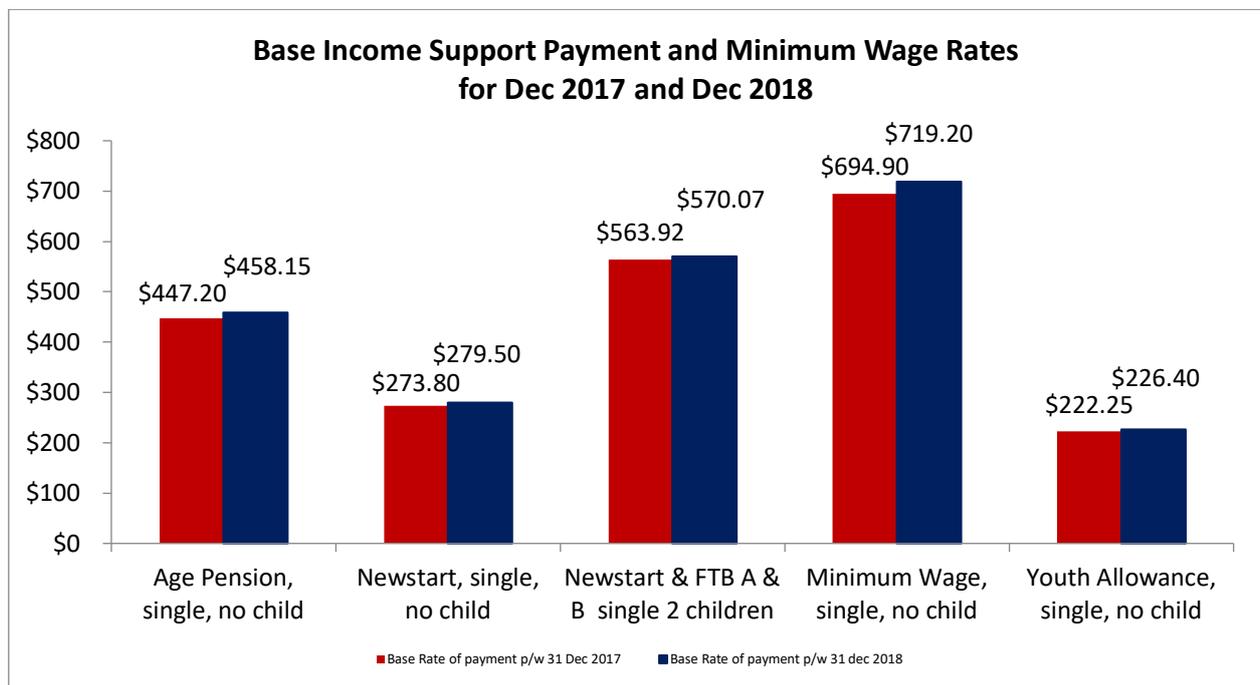
National CPI all groups	↑	0.5%	
SLCI for Age Pensioners	↑	0.4%	which is below CPI increase
SLCI for Other Government Transfer Recipients	↑	0.9%	which is <u>above</u> CPI increase
SLCI for Employee Households	↑	0.6%	which is <u>above</u> CPI increase
SLCI for Self-funded Retirees	↑	0.5%	same as CPI increase

*SLCI Figures taken from ABS 2018a and CPI figures taken from ABS 2018d, Table 10*

## How well are Income Support payments keeping up with rising living costs?

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 Dec 2017-Dec 2018**

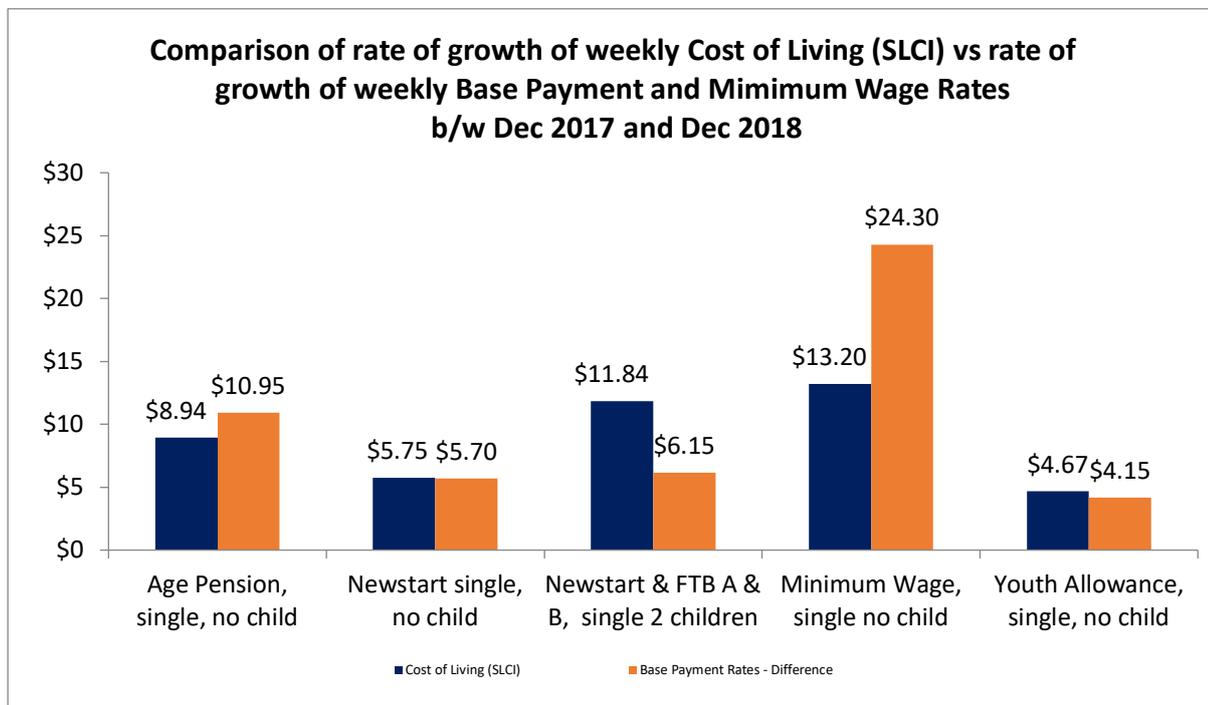


*Centrelink 2017, p. 2, 5, 13, 25, 27, 32, 33, 38- 39; Centrelink 2018, p. 2, 5, 13, 25, 28, 33-34, 40-41; Fair Work Commission, 2018.*

*(NB: For simplicity, some supplements & Rent Assistance not included in Fig 2, as they can vary from person to person). In addition, the base rate of payment for the Age Pension is identical to the Disability Support Pension rate, but for simplicity reference is made to the Age Pension throughout this report.*

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

**Figure 2: Growth in Selected Incomes vs Cost of Living (SLCI) over the past year**



*Centrelink 2017, p. 2, 5, 13, 25, 27, 32, 33, 38-39; Centrelink 2018, p. 2, 5, 13, 25, 28, 33-34, 40-41; Fair Work Commission, 2018.*

Figure 2 shows over the past year:

- The rise in cost of living for a single pensioner has risen at a slower rate, **\$2.01 per week below the rise in the pension** over the past year – meaning payments are keeping up with cost of living increases;
  - For single Newstart recipients without children, the **rise in the cost of living has been \$0.05 per week more than the rise in payments** – so the payments rise has almost, but not quite, covered the cost rises
  - For single Newstart recipients with two children, the **rise in the cost of living has outstripped the rise in payments by \$5.69 per week (around \$290 per year)**, meaning recipients are **worse off** than they were a year ago.
  - For single Youth Allowance recipients, the **rise in the cost of living has outstripped the rise in payments by \$0.52 per week below the rise in payments** – meaning at this point in time, the payment is not keeping up with rises in living costs
- As a comparison, for a single person (no children) on the minimum wage, the rise in cost of living was **\$11.10 per week lower than 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 Dec 2017 base payment rate by the percentage increase in the SLCI over the past year for the relevant payment type).*

## Struggling on Newstart and Youth Allowance

Living on \$279.50 on Newstart (single rate) or \$226.40 per week on Youth Allowance (single rate) means housing, food, transport, health and utilities bills all have to be squeezed into a very small payment. At December 2018 these payments were around \$440-\$488 under the Minimum Wage<sup>2</sup> of \$719.20 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).

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 of whom 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 have the energy to successfully look for work, if they are homeless or worried about putting food on their table and are also required to participate in a range of income related activities (e.g. ParentsNext) and are merely trying to survive because they are living below the poverty line.

## Pension Indexation System and the Inadequacy of Allowance Payments

Newstart, Youth Allowance and other base-level benefit allowances are indexed only to the CPI (whereas pension payment increases are linked to Male Total Average Weekly Earnings and prices (CPI), which means that increases in allowances may not always keep up with the cost of living rises, as described above – whereas pensions generally do keep up.

More than half (55%) of people on Newstart live below the poverty line (ACOSS 2018a, p.1). Clearly **\$40 a day is simply not enough to live on**. At the moment, the **Newstart Allowance is \$178 per week lower than the age pension**, while the **Youth Allowance is \$231 below**.

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), with figures from the past year a case in point.

## Raising the Rate of Newstart and Youth Allowance

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.

**NTCOSS reinforces its support for the Australian Council of Social Services’ (ACOSS) Raise the Rate Campaign which is calling for the Australian Government to increase Newstart payments by \$75 per week, see <https://www.acoss.org.au/raisetherate/>**

<sup>2</sup> NOTE: The Minimum Wage figure referred to of \$719.20 is for a 38-hour week (before tax) for the period 1 July 2017 – 30 June 2019.

## CONCLUSION

This report highlights that there are several household expenditure areas that continue to put pressure on low income households across the NT.

In addition, the low rate of payment for households dependent on income support payments such as Newstart and Youth Allowance, is again highlighted. These allowance payments are currently not adequate to keep up with rises in cost of living for households dependent on these payments as their income source, and NTCOSS reiterates the need for these payments to be increased.

It is significant that many prominent groups and individuals within Australia have lent their support to raising the rate of Newstart, with NT Chief Minister Michael Gunner recently stating: “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)

While there has been some relief for households with the recent decrease in fuel prices, it is important to remember that in many areas of the NT prices still remain incredibly high and that, fuel prices disproportionately impact on those on very low incomes. This is particularly in the most remote areas where general cost of living has historically been very high (e.g. remote food prices), further disadvantaging many households in these areas. In addition, the price of fuel is volatile – with no guarantee that prices will not rapidly rise again in the future – and if they do, they will impact low income households the hardest.

A Government may have a limited influence when it comes to the price of fuel or the cost of rent, or motor vehicles, for example, as there are often market factors (in some instances global) outside of their control. However Governments do play a role in regulating price in relation to the setting of fees, levies and taxes as for motor vehicle registration and insurance.

Governments also have an active role to play in setting the rate of income support payments and the provision of targeted cost of living relief for low income households – often in the form of concessions. The NT Government can adjust eligibility for certain concessions to provide direct cost of living in areas of need (essential expenditure such as electricity, motor vehicle registration). The Commonwealth Government can also make reforms to the Commonwealth Rent Assistance Scheme to relieve acute housing stress, as per a recommendation made by ACOSS in 2016 (ACOSS 2016, p.3).

## APPENDICES

### Appendix A: Table 3: CPI Changes, Expenditure Type Darwin vs National over the 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 Dec 2017 – Sept Dec 2018 (% change)	
	Darwin	Australia
<b>Food &amp; Non-Alcoholic Beverages</b>	<b>0.6 %</b>	<b>1.5%</b>
Meat and seafood	2.8%	2.4%
Dairy & related products	0.2%	1.1%
Fruit	-2.6%	1.9%
Vegetables	0.0%	1.1%
<b>Alcohol &amp; Tobacco</b>	<b>8.9%</b>	<b>6.8%</b>
Alcohol	5.2%	1.8%
Tobacco	14.8%	15.0%
<b>Clothing &amp; Footwear</b>	<b>-1.7%</b>	<b>-0.7%</b>
<b>Housing (includes utilities)</b>	<b>-0.9%</b>	<b>1.5%</b>
Rents	-4.4%	0.5%
New dwelling purchase by owner-occupiers	0.6%	1.8%
Maintenance and repair	2.0%	2.4%
Property rates and charges	1.9%	2.3%
<b>Utilities</b>	1.3%	2.0%
Water & sewerage	1.2%	1.3%
Electricity	1.2%	1.8%
Gas and other household fuels	1.1%	3.2%
<b>Furnishings, household equipment/services</b>	<b>-2.0%</b>	<b>-0.8%</b>
Child care	-6.7%	-8.3%
<b>Health</b>	<b>2.2%</b>	<b>3.3%</b>
Medical and hospital services	2.8%	4.3%
Dental services	1.5%	1.3%
<b>Transport</b>	<b>4.0%</b>	<b>2.8%</b>
<b>Private Motoring</b>	4.1%	2.9%
Automotive fuel	10.8%	6.7%
<b>Urban transport fares (Public transport)</b>	1.0%	2.5%
<b>Communication</b>	<b>-4.5%</b>	<b>-4.3%</b>
Telecommunication equipment/ services	-5.0%	-4.7%
<b>Recreation &amp; Culture</b>	<b>0.7%</b>	<b>1.7%</b>
<b>Audio, visual and computing equipment and services</b>	<b>-5.0%</b>	<b>-5.0%</b>
Audio, visual and computing equipment	-7.3%	-8.8%
Audio, visual and computing media and services	-0.2%	-0.2%
<b>Education</b>	<b>4.5%</b>	<b>2.7%</b>
<b>Insurance and financial services</b>	<b>2.6%</b>	<b>1.5%</b>
Insurance	2.3%	2.9%
<b>CPI All Groups</b>	<b>1.2%</b>	<b>1.8%</b>

ABS 2018d Data 4, 5, 6

## Appendix B: Housing Price changes over the past 12 months – Regional Areas

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

Year Ending Dec 2018	Palmerston	Katherine	Alice Springs	Tennant Creek
<b>Residential Housing - Median Sales Prices</b>				
Residential House	-3.9%	-13.3%	1.6%	-18.2%
Residential Unit/Townhouse	7.3%	N/A	40.3%	N/A
<b>Rental Housing - Median Weekly Prices</b>				
3 BR House Rental Prices	-9.1%	-4.8%	2.0%	N/A
4BR House Rental Prices	-7.1%	10.0%	-3.1%	N/A
1BR Unit/Townhouse Rental Prices	0.0%	-1.9%	0.0%	N/A
<b>2BR Unit/Townhouse Rental Prices</b>	<b>-7.6%</b>	<b>-5.7%</b>	4.7%	N/A
<b>3BR Unit/Townhouse Rental Prices</b>	<b>-7.2%</b>	11.1%	5.2%	N/A
Utilities ^ (Darwin CPI figures)				
<b>Electricity</b>	1.2%	1.2%	1.2%	1.2%
<b>Water &amp; Sewerage</b>	1.2%	1.2%	1.2%	1.2%

REINT 2018, p 5, 7, 24, 25; ABS 2018d Table 10.

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

Prices Year Ending Dec 2018	Darwin Inner	Darwin North Coastal	Darwin North East	Darwin North
<b>Residential Housing - Median Sales Prices</b>				
<b>Residential House</b>	<b>-13.5%</b>	0.0%	<b>-9.4%</b>	<b>-3.5%</b>
<b>Residential Unit/Townhouse</b>	<b>-22.8%</b>	12.7%	13.9%	4.9%
<b>Rental Housing - Median Weekly Prices</b>				
<b>3 BR House Rental Prices</b>	<b>-5.2%</b>	<b>-0.5%</b>	<b>-5.1</b>	<b>-8.9%</b>
<b>4BR House Rental Prices</b>	<b>-4.3%</b>	<b>-3.2%</b>	<b>-30.6%</b>	<b>-13.5%</b>
<b>1BR Unit/Townhouse Rental Prices</b>	<b>-9.1%</b>	<b>-3.8%</b>	23.9%	<b>-27.7%</b>
<b>2BR Unit/Townhouse Rental Prices</b>	<b>-15.6%</b>	<b>-5.7%</b>	4.3%	<b>-3.0%</b>
<b>3BR Unit/Townhouse Rental Prices</b>	<b>-16.9%</b>	<b>-1.1%</b>	0.0%	<b>-5.7%</b>

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

## Appendix C: Fuel Prices across major centres of the NT

**Table 5: Fuel Prices across the NT: Feb 2018-Feb 2019 – Unleaded Fuel and Diesel**

Unleaded Petrol	Ave. Retail Price Feb 2018	Ave. Retail Price Sep 2018	Ave. Retail Price Nov 2018	Ave. Retail Price Feb 2019	Price change Sep 2018 Feb 2019	% Change Sep 2018-Feb 2019
	<i>Cents Per Litre</i>					%
Darwin	149.3	155.4	154.7	<b>128.1</b>	<b>-27.3</b>	<b>-17.6%</b>
Alice Springs#	177.3	189.1	193.2	185.2	<b>-3.9</b>	<b>-2.0%</b>
Katherine#	164.0	173.4	182.4	<b>161.6</b>	<b>-11.8</b>	<b>-6.8%</b>
Tennant Creek#	183.7	191.8	199.6	186.4	<b>-5.4</b>	<b>-2.8%</b>
NT Ave^	156.2	163.6	164.5	<b>142.2</b>	<b>-21.4</b>	<b>-13.1%</b>
Australian Ave^	137.5	153.3	141.2	131.2	<b>-22.2</b>	<b>-14.5%</b>

Diesel*	Ave. Retail Price Feb 2018	Ave. Retail Price Sep 2018	Ave. Retail Price Nov 2018	Ave. Retail Price Feb 2019	Price change Sep 2018 Feb 2019	% Change Sep 2018-Feb 2019
	<i>Cents Per Litre</i>					
Darwin	148.2	156.3	162.3	<b>140.9</b>	<b>-15.4</b>	<b>-9.9%</b>
Regional Ave*^	173.7	185.0	194.2	185.3	+0.3	<b>0.2%</b>
NT Ave^	158.2	167.6	174.8	<b>158.4</b>	<b>-9.2</b>	<b>-5.5%</b>
Australian Ave^	139.0	156.6	160.3	<b>144.3</b>	<b>-12.3</b>	<b>-7.9%</b>

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

NT Government 2019a, p. 1, 2; #Includes surrounding areas/regions; ^Weighted average;

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

## Appendix D: MyFuel NT Data over the past year

**Table 6a: Unleaded 91 Fuel – Regional Data from My Fuel NT – Various 2018 and 2019**

Unleaded 91 Fuel	Jan 2018	Sep 2018	Nov 2018	Dec 2018	Sep-Dec 2018	Jan 2019	Feb 2019	24 Feb 2019
	Ave. Price cpl	Ave. Price cpl	Ave. Price Cpl	Ave. Price cpl	% Change	Ave Price cpl	Ave Price cpl	Highest Price cpl*
Tiwi island	241.0	241.0	241.0	241.0	0%	241.0	241.0	241.0
Darwin	147.9	154.8	155.2	141.3	-8.7%	128.2	126.6	131.9
Litchfield	147.9	155.5	156.6	142.6	-8.3%	130.6	129.3	141.0
Palmerston	149.1	155.5	155.8	141.7	-8.9%	131.2	127.7	131.9
Top End Rural	154.4	163.7	165.2	158.1	-3.4%	146.3	145.3	165.0
Katherine	162.4	176.6	179.4	174.4	-1.2%	172.1	171.4	205.0
Barkly	167.3	182.2	192.7	189.8	4.2%	186.9	186.5	188.0
Cent Aust Region	190.9	200.5	204.5	199.7	-0.4%	196.2	199.0	230.0

NT Government 2019

**Table 6b: Low Aromatic Fuel – Regional Data from My Fuel NT – Various 2018 and 2019**

Low Aromatic Fuel	Jan 2018	Sep 2018	Nov 2018	Dec 2018	Sep-Dec 2018	Jan 2019	Feb 2019	24 Feb 2019
	Ave. Price cpl	Ave. Price cpl	Ave. Price Cpl	Ave. Price cpl	% Change	Ave. Price cpl	Ave Price cpl	Highest Price cpl*
Tiwi island	242.3.0	246.9	253.8	252.5	2.3%	239.4	242.3	255.0
East Arnhem	237.4	250.2	251.1	242.2	-3.2%	241.7	241.2	330.0
Litchfield	N/A	148.7	151.6	155.7	4.7%	155.7	154.1	N/A
Top End Rural	182.7	193.4	202.3	198.5	2.6%	193.5	193.2	254.0
Katherine	166.2	175.0	183.6	177.4	1.4%	169.4	165.4	245.0
Barkly	178.9	186.8	192.1	188.9	1.1%	183.8	182.0	220.0
Cent Aust Region	181.5	193.1	197.6	191.4	-0.9%	189.2	188.5	260.0

NT Government 2019

**Table 6c: Diesel – Regional Data from My Fuel NT – Various 2018 and 2019**

Diesel	Jan 2018	Sep 2018	Nov 2018	Dec 2018	Sep-Dec 2018	Jan 2019	Feb 2019	24 Feb 2019
	Ave. Price cpl	Ave. Price cpl	Ave. Price Cpl	Ave. Price cpl	% Change	Ave. Price cpl	Ave Price cpl	Highest Price cpl*
Tiwi	224.7	240.3	248.6	248.3	3.3%	238.1	241.2	243.0
Darwin	145.8	155.4	162.9	151.2	-2.7%	139.6	138.6	144.9
Palmerston	147.0	155.9	163.3	151.2	-3.0%	142.1	143.0	159.9
Top End Rural	168.6	181.0	192.0	187.9	3.8%	181.6	181.2	270.0
East Arnhem	218.0	230.5	235.2	228.8	-0.7	227.1	228.2	294.0
Litchfield	145.2	156.0	164.4	151.0	-3.2%	140.3	141.2	159.9
Katherine	162.4	174.8	184.8	179.4	2.6%	172.6	169.8	245.0
Barkly	176.7	186.3	195.0	194.0	4.1%	189.5	188.2	220.0
Cent Aust Region	181.4	194.0	200.3	197.4	1.8%	195.7	196.0	260.0

NT Government 2019b

Note: MyFuels data for February 2018 is not currently publically available. \* The Highest Price refers to the data available on a daily basis from the Fuel Near Me page on the MyFuelNT website – with this price data taken from the 24<sup>th</sup> February 2019

<https://myfuelnt.nt.gov.au/Home/Results?searchOptions=region&Suburb=&SuburbId=0&RegionId=4&FuelCode=U91&BrandIdentifier=>

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

**Table 7a: Weekly Payment Rates at 19 September 2017**

	<b>BASE RATE</b>	Pension Support	Energy Supp	FTB A Child u13	FTB B Child 13-15	FTB B	Pharma Benefit	<b>TOTAL PAYMENT</b>
<b>Age Pension</b> (single)	<b>\$407.00</b>	\$33.15	\$7.05					<b>\$447.20</b>
<b>Newstart</b> (single, no children)	<b>\$269.40</b>		\$4.40					<b>\$273.80</b>
<b>Newstart</b> (single, 2 children)	<b>\$289.65</b>		\$4.75*	\$91.42	\$118.93	\$54.32	\$3.10	<b>\$563.92</b>
<b>Youth Allowance</b> (single, no children)	<b>\$218.75</b>		\$3.50					<b>\$222.25</b>

**Table 7b: Weekly Payment Rates at 19 September 2018**

	<b>BASE RATE</b>	Pension Support	Energy Supp	FTB A Child u13	FTB B Child 13-15	FTB B	Pharma Benefit	<b>TOTAL PAYMENT</b>
<b>Age Pension</b> (single)	<b>\$417.20</b>	\$33.90	\$7.05					<b>\$458.15</b>
<b>Newstart</b> (single, no children)	<b>\$275.10</b>		\$4.40					<b>\$279.50</b>
<b>Newstart</b> (single, 2 children)	<b>\$297.60</b>		\$4.75*	\$91.42	\$118.93	\$54.32	\$3.10	<b>\$570.07</b>
<b>Youth Allowance</b> (single, no children)	<b>\$222.90</b>		\$3.50					<b>\$226.40</b>

*Centrelink 2017, p. 2, 5, 13, 25, 27, 32, 33, 38-39; Centrelink 2018, p. 2, 5, 13, 25, 28, 33-34, 40-41;*

*NB: All figures based on max payment rates where relevant. 2 children for Newstart calculation based on one child between 5 and 13 y.o.; and one b/w 13-15 y.o.; \*Note: For Newstart (single) with children the Energy Supplement for FTB A and FTB is only payable to recipients who have been receiving the FTB Energy supplement(s) continuously from 19 September 2016. The above calculation is based on a new recipient, who would not be eligible for the additional FTB Energy Supplements.*

### 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 SLCI's (ABS 2018b).

In that sense, the SLCI's 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 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).

“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 SLCI's 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 SLCI's 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 SLCI's are also based on a set point in time (from the 2016-17 2016-17 Household Final Consumption Expenditure data (ABS 2019a) 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 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 Youth Allowance 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. Newstart payments are adjusted 6 monthly - each March and September; while Youth Allowance payments are only adjusted annually, each January.*

## REFERENCES

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