# COST OF LIVING REPORT

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CPI Update

Northern Territory Council of Social Service

NTCOSS

## About NTCOSS

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

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

## NTCOSS' vision is for

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

## NTCOSS' mission is

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

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## INTRODUCTION

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

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

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

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

The methodology used for the SLCI is different to that used for the CPI (see also Explanatory Note 1). The Living Cost Indexes (LCIs) have been designed to answer the question: 'By how much would after tax money incomes need to change to allow households to purchase the same quantity of consumer goods and services that they purchased in the base period?' (ABS[1] 2017a).

The SLCI's are preferred, as a summary measure, over the more well-known CPI, because the CPI is technically not a cost of living measure, as it tracks changes in the price of a specific basket of goods. However, this basket includes goods and services that are not necessarily part of the expenditure of all households - in particular for many low income households (SACOSS 2014, p.4).

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

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

**Table 1a:** Changes in CPI (All groups) over past year (ending June 2017) Darwin vs National Figures

| | | | | | |
|---|---|---|---|---|---|
| Darwin | ↑ 0.3% | vs Australia | ↑ | 0.2% | (in last quarter - to June 2017) |
| Darwin | ↑ 0.5% | vs Australia | ↑ | 1.9% | (over past year - to June 2017) |

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

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

| Increases in Darwin over past 12 months | Darwin | | Australia |
|---|---|---|---|
| Automotive Fuel | ↑ 11.4% | vs Australia | ↑ 6.9% |
| Vegetables | ↑ 10.2% | vs Australia | ↑ 11.1% |
| Medical / Hospital Services | ↑ 5.3% | vs Australia | ↑ 5.3 % |
| Fruit | ↑ 4.8% | vs Australia | ↑ 6.4% |
| Alcohol / Tobacco | ↑ 4.0% | vs Australia | ↑ 5.9% |
| Health | ↑ 3.4% | vs Australia | ↑ 3.8% |
| Transport | ↑ 3.2% | vs Australia | ↑ 2.1% |
| Education | ↑ 2.7% | vs Australia | ↑ 3.3% |

| Decreases in Darwin over past 12 months | Darwin | | Australia |
|---|---|---|---|
| Rents | ↓ 7.2% | vs Australia | ↑ 0.6% |
| Telecommunication/Equipment Services | ↓ 4.3% | vs Australia | ↓ 4.2% |
| Dairy and Related Products | ↓ 4.3% | vs Australia | ↓ 2.1% |
| Clothing | ↓ 2.8% | vs Australia | ↓ 1.9% |
| Housing | ↓ 1.9% | vs Australia | ↑ 2.4% |

*Source: ABS 2017e Data 4, 5, 6*

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

| Increases in Darwin over past 3 months | Decreases in Darwin over past 3 months |
|---|---|
| Medical/Hospital Services<br>4.8% vs Australia 4.1% | Automotive Fuel<br>6.0% vs Australia 2.5% |
| Health<br>2.9% vs Australia 2.7% | Fruit<br>5.5 % vs Australia 4.4% |
| Recreation and Culture<br>3.9% vs Australia 0.6% | Rents<br>1.9% Vs Australia 0.2% |

*Source: ABS 2017d Data 4, 5, 6*

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

## Comment: Petrol prices up again, and other price rises

Darwin has again seen low growth in the overall CPI over the past 12 months (0.5%) and well under the national rate of growth (1.9%) (see Table 1a), however not all Territorian households are enjoying the benefits. It is important to take into consideration that the CPI-All Groups figure represents an average figure, which is affected by changes both up and down amongst the 11 major CPI sub-categories which together contribute to the overall CPI-All Groups figure. In the past year there have been some large price rises within some sub-categories of the 11 CPI categories, which particularly impact on low income Territorians.

As Table 1b highlights, the price of automotive fuel has risen dramatically over the last year (11.4%), despite the price of fuel actually going down in the last quarter (-6.0%). This represents a significant increase over the past year in the cost of living for motorists, which puts further pressure on low income households both in Darwin and across the NT (where fuel prices are generally higher). These price rises come after a sustained period of much lower fuel prices. Between the June quarter 2014-September quarter 2016, fuel prices dropped dramatically (the price dropped or stayed the same in eight out of the ten quarters in this period) (ABS 2017d, Data 5).

NTCOSS has also highlighted for some time the huge disparity between fuel prices in major centres and remote areas of the NT; in some communities customers have been paying up to twice the price paid for fuel by motorists in Darwin and Katherine (NTCOSS 2016, P.21).

Other sizeable increases in CPI over the past year occurred in the price of vegetables (10.2%) medical and hospital services (5.3%), and fruit (4.8%). In addition, the CPI for health overall increased by 3.4% (see Table 1b).

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

There has been a decrease in price in some key expenditure areas – rent (down 7.2%), telecommunications and equipment services (down 4.3%) and dairy products (down 4.3% - see Table 1b), but these figures only tell part of the story. NTCOSS has highlighted over many years that the NT has some of the highest rent prices in Australia, compared with other jurisdictions. While they have dipped recently, rental prices are still high, and continue to place great strain on many lower income households.

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

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

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

The ABS Selected Living Cost Index (SLCI) measures the cost of various baskets of goods which are specific to a number of different household types – including "Age Pension", "Other Government Transfer Recipient" households, "Employee" households and "Self-funded retirees" (ABS 2017a). Other government transfer recipient households includes "households whose principal source of income is a government pension or benefit other than the Age Pension or veterans affairs pension", e.g. Newstart or Youth Allowance (ABS 2017c).

NTCOSS is specifically focused on the cost of baskets which apply to "Age Pension" and "Other Government Transfer Recipient" households, given that it is these households that 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) (June 2016 – June 2017) Darwin vs National figures

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

| | | |
|---|---|---|
| National CPI all groups | 1.9% | |
| SLCI for Age Pensioners | 2.0% | which is above CPI increase |
| SLCI for Other Government Transfer Recipients | 2.0% | which is above CPI increase |
| SLCI for Employee Households | 1.3% | which is below CPI increase |
| SLCI for Self-funded Retirees | 1.8% | which is below CPI increase |

*Source: SLCI Figures taken from ABS 2016a and CPI figures taken from ABS 2017d Data 6*

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

| | | |
|---|---|---|
| National CPI all groups | 0.2% | |
| SLCI for Age Pensioners | 0.1% | which is below CPI increase |
| SLCI for Other Government Transfer Recipients | 0.0% | which is below CPI increase |
| SLCI for Employee Households | 0.1% | which is below CPI increase |
| SLCI for Self-funded Retirees | 0.2% | which is same as CPI increase |

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

## Contributing Factors to the changes in the SLCI Figures - June 2017 quarter

**Age Pensioner Households** (+0.1% increase)

Contributors to the rise in SLCI

**Health (+2.0%)** contributed most to the rise, driven by medical and hospital services, which "is due to increases in private health insurance premiums from 1 April 2017, and at the same time, the annual decrease in the PHI rebate" (ABS 2017b).

Contributors to the offsetting movement

**Food and non-alcoholic beverages (-0.5%)** helped offset the rises, "driven by falls in fruit, largely as a result falls in seasonally available fruits (ABS 2017b). Age pensioner households spend more as a proportion of income on food and non-alcoholic beverages, than the CPI population, which is why SLCI rose less than the CPI (+0.2%) this quarter (ABS 2017b).

**Other Government Transfer Recipients Households** (+0.0% Increase)

Contributors to the rise in SLCI

**Alcohol and tobacco (+0.9%)** was the area that rose most, due to tobacco, as a result of the flow on effects from the federal excise tax increase effective from 1 March (ABS 2017b).

Contributors to the offsetting movement

**Transport (-0.7%)** provided the most significant offsetting movement, "driven by automotive fuel as a result of falls in world oil prices" (ABS 2017b).

**Employee Households** (+0.1% Increase)

Contributors to the rise in SLCI

**Health (+2.3%)** contributed to the rise, as per above.

**Alcohol and Tobacco (+0.8%)** also contributed to the rise, as per above (ABS 2017b).

Contributors to the offsetting movement

**Transport (-0.6%)** partially offset the rise, as per above (ABS 2017b).

*NOTE: The smaller rise in the SLCI (0.1%) compared to the CPI (+0.2%) this quarter, is a result of new dwelling purchase by owner-occupiers, which rose this quarter, and this category is not included in the SLCI for Employee households (ABS 2017b).*

**Self-Funded Retiree Households** (+0.2% Increase)

Contributors to the rise in SLCI

**Health (+2.9%)** was the main contributor to the rise, as per above (ABS 2017b).

Contributors to the offsetting movement

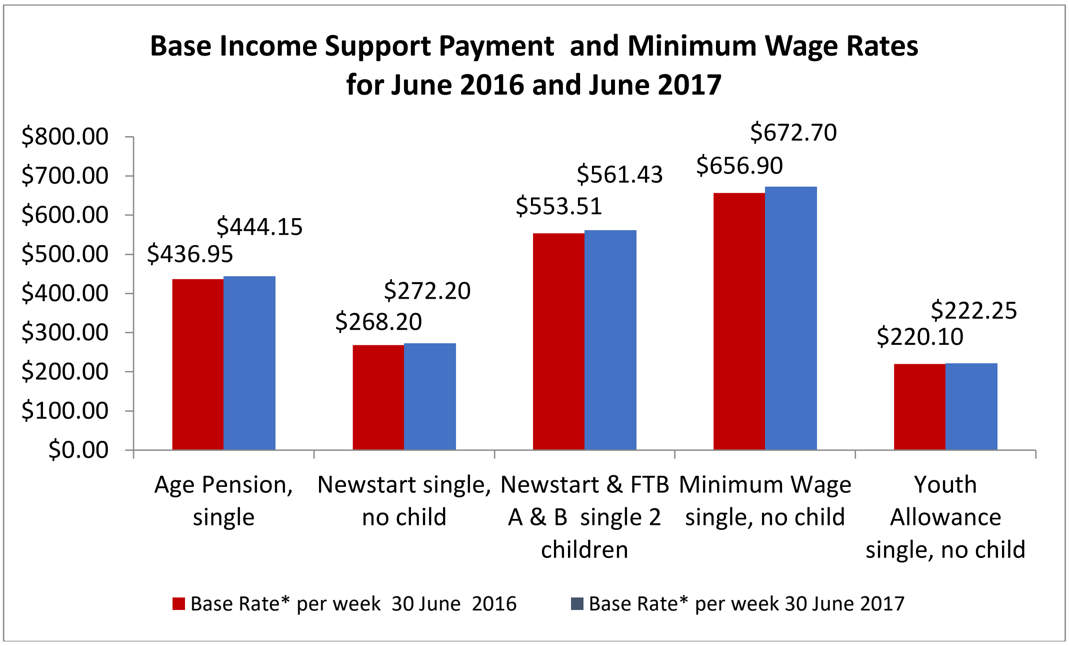
**Recreation and culture (-0.8%)** partially offset the rise, "driven by domestic holiday travel and accommodation which is typical of the off peak season" (ABS 2017b).

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

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

Figure 2 shows that the **income support payments highlighted have not kept up with rising living costs over the past year** – with the lag being significant for all household types – but especially for Newstart recipients with children, and Youth Allowance recipients.

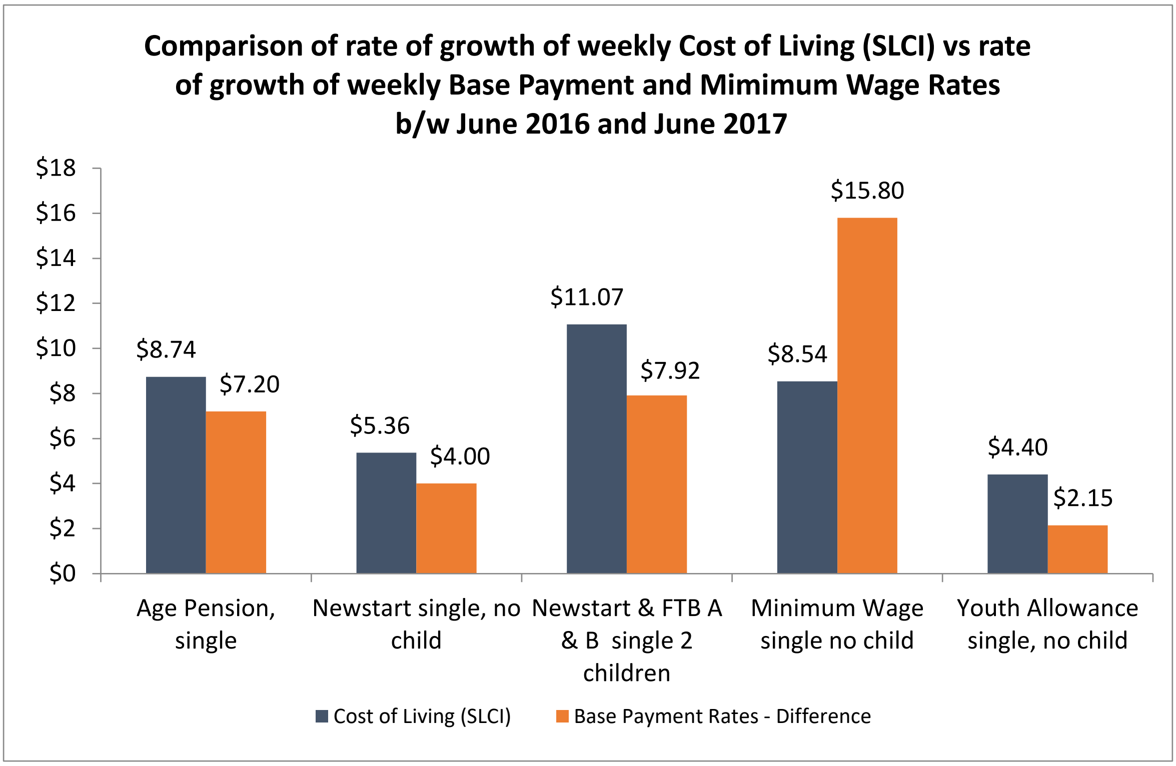
**Figure 1:** Comparison of selected Income Support Payments rates as at June 2016 and June 2017




*Sources: Centrelink 2016 p. 2, 5, 13, 24, 26, 32, 37, 38 & Centrelink 2017, p. 2, 5, 13, 25, 27, 32, 33, 38, 39 Fair Work Commission, 2017.*
*See Explanatory Note 4 for information on the calculations for each payment type used in Figures 1 and 2.*
*NB: For simplicity, Rent Assistance as well as some supplements are not included in Figure 1, as they can vary from person to person*

As Figure 2 shows, the rise in cost of living for single Pensioners has outstripped the rise in payments by $1.54 per week over the past year. For single Newstart (single) recipients without children, the rise in the cost of living has outstripped the rise in payments by $1.36 per week. For single Newstart recipients with two children, the difference was $3.15 per week ($164 per year). For single Youth Allowance recipients the rise in the cost of living has outstripped the rise in payments by $2.25 per week ($117 per year) over the past year.

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




*Sources: Centrelink 2016 p. 2, 5, 13, 24, 26, 32, 37, 38 & Centrelink 2017 p. 2, 5, 13, 25, 27, 32, 33, 38, 39; ABS 2017a, Fair Work Commission, 2017. Note: The rate of growth of the SLCI is calculated by multiplying the June 2016 base payment rate by the percentage increase in the SLCI over the past year for the relevant payment type*

In comparison, for a single person (no children) earning the minimum wage, the rise in cost of living for them was $7.26 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 this group of employees.

For recipients of Newstart and Youth Allowance, the lag is of particular concern, given that the existing **inadequate base-rate of payment** (if it is the sole payment received). **It is therefore critical that the Commonwealth Government addresses the low rate of base payments for these recipients** *(*see also p.11 'New Report highlights Gross Inadequacy of Newstart Allowance')*.*

Living on $222.25 per week on Youth Allowance or $272.20 on Newstart means there is very little room for affording discretionary or luxury expenditure items. Housing, food, transport, health and utilities bills all have to be squeezed into a very small payment which, as at June 2017, was around $400-$450 under the Minimum Wage[i] of $672.70 per week (Fair Work Commission, 2016). Where there are unexpected bills like medical bills or a larger than expected electricity bill, some other essential items might have to be forgone (e.g. paying for car repairs, or spending less money on food) in order to meet urgent payments.

## Proposed Cuts to the Energy Supplement: Impact on Low Income Households

In 2012 the Federal Government introduced the Energy Supplement "as a payment for people on income support to compensate for the price on carbon". Since March 2013 it has been paid fortnightly (ACOSS 2017a, p. 2). The Government has now proposed to remove the energy supplements, effective from 20 September this year, if passed by Parliament.

If implemented, such cuts would be of significant concern, leading to single aged pensions dropping $7.05 per week ($367 per year); while pensioner couples would be $10.50 a week (nearly $550 a year) worse off. Single Newstart Allowance recipients would be $4.40 worse off per week (nearly $230 per year); Sole parents receiving a Newstart Allowance would be $4.75 worse off per week (nearly $250 per year); while a single (independent) Youth Allowance recipient would be $3.50 worse off per week (over $180 worse off per year).

ACOSS (2017a, p.2) has pointed out that if the supplement is removed, the Government would be abolishing "the first real increase to Newstart in 20 years – with the last real increase being in 1994, when the payment "rose by $2.95 per week [above indexation]". In addition, if the Energy Supplement is abolished, "it will reduce the payment for new recipients to lower than what it would have been without a carbon price" (ACOSS, 2017a, p.2). Taylor (2017) has further highlighted concerns by pointing to research by the Australia Institute which shows that if implemented, these cuts would "put a family living on unemployment benefits on a historic 32% below the Henderson poverty line, exacerbating the steady erosion in the value of their payments".

The Federal Government justification for cutting the Energy Supplement is based on the fact the carbon price has been removed. As ACOSS (2017a, p.2) has pointed out, however, people on higher incomes continue to benefit from a tax cut to compensate for the carbon price and energy prices have increased above CPI", since the carbon price was removed.

Given the existing lag between the cost of living rises and rises in the income support payments (see Figure 2 above), these cuts will simply further exacerbate the situation for recipients of these payments. In addition, it would lead to a situation where some income support recipients would continue to receive the supplements, while others would not – i.e. new recipients, as well as "anyone who commenced receiving a payment after September 2016" (ACOSS 2017a, p.1).

These proposed cuts will come at a time when the fundamental inadequacy of the Newstart allowance has again been exposed – as highlighted in the next section. In addition, we know that across the country nearly three million Australians are living in Poverty, and this includes one-sixth of all Australian children (731,000 children), meaning cuts to the Energy Supplement will further exacerbate this dire situation (ACOSS 2016, p.1).

## New Report highlights Gross Inadequacy of Newstart Allowance

A new report by researchers from the UNSW Sydney has highlighted that, "The Newstart Allowance received by people looking for work falls well below the minimum income required to achieve a basic standard of living – defined as a budget standard" (ACOSS 2017b, p.1).

"The New Budget Standards for Low-Paid and Unemployed Australians Report, compiled by UNSW's Social Policy Research Centre (SPRC) with support from Catholic Social Services Australia (CSSA), the Australian Council of Social Service (ACOSS) and United Voice, found that **the Newstart Allowance is below the identified budget standard by $96 a week for a single person, $58 a week for a couple with one child and $126 a week for a couple with two children**" (ACOSS, 2017b, p.1).

The report authors defined a budget standard as a measure of **"the basic costs to achieve a minimally adequate standard of living – a level below which no-one should be allowed to fall"**. The study used the 'Minimum Income for Healthy Living (MIHL) standard', as the measure, "which is higher than the poverty line (50% of median income) and is designed to ensure that in addition to material consumption, it allows for a healthy level of social participation…that is consistent with healthy living and social inclusion,"

The report reveals the shocking inadequacy of income support for the wide range of household types, as follows;

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

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

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

## Who is on Newstart Allowance?

**People with Disability**

As of March 2017, there were approximately 746,000 people receiving the Newstart – Allowance across Australia (Australian Government, 2017a). Around a quarter of these recipients are people with a significant disability, according to administrative data from the Department of Human Services, reported by Karvelas (2014).

The data revealed that in March 2014, there were 173,060 Newstart Allowance recipients with disability and 24.9 per cent were receiving support from a Disability Employment Service or had a 'partial capacity to work' (Karvelas, 2014).

Based on current figures, it means that **around 186,000 people** currently on the Newstart Allowance, as of March 2017, have a disability. Government data reveals that **162,423 people on Newstart had only a partial capacity work** (i.e. less than 29 hours per week), as of March 2017 (Australian Government, 2017b).

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

Some job seekers have more than one disability. In 2014 there were more than **100,000 job seekers who "had physical disabilities** affecting their limbs, shoulders and upper arms, spine and another musculo-skeletal disorders", according to Department of Human Services data reported by Karvelas (2014). Such physical disabilities have profound impacts on people's ability to work, creating significant limitations on people's ability to lift objects stand for long periods of time, as well as their capacity to walk over a long distance.

"Other common disabilities included hypertension, which affected 12,410 job seekers, and circulatory system problems, which was a serious problem for 10,365 people on Newstart" according to Department of Human Services data highlighted by Karvelas (2014).

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

**People with Mental Illness**

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

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

**Sole Parents**

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

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

**People aged between 50-64**

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

**Long Term Unemployed**

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

**Newstart Allowance recipients in the Northern Territory**

As of March 2017, there were 13,891 people receiving the Newstart Allowance, 10,499 in the Lingiari electorate and 3392 in the Solomon Electorate (Australian Government, 2017a).

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

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

Newstart, Youth Allowance and other base level benefit allowances are indexed to the CPI only, which does not ensure that increases in allowances will always keep up with the cost of living, as described above, and evident in Figure 2.

At the moment, the **Newstart Allowance is almost $172 per week lower than the Age Pension. $38 a day is simply not enough for an individual to live on.**

## NTCOSS Recommendations

In 2016, the NTCOSS Cost of Living Report No. 12 made a number of recommendations (NTCOSS 2016, p. 6-36), which provide some concrete proposals for the Northern Territory Government to consider.

The recommendations would help ease the burden on Territory households and ensure that all Territorians can enjoy a standard of living that enables them to have their essential needs met and be able to participate fully in society and further develop and contribute their skills and experiences. Some of these recommendations are reiterated among the recommendations here.

Specifically, NTCOSS calls on the NT Government to:

1. Review the eligibility criteria for access to the NT Pensioner and Carer Concession Scheme (NTPCCS) to ensure so that those who are most disadvantaged are able to access the Scheme – e.g. *all* Commonwealth Health Care Card holders. This would include all those who are on the Newstart and Youth Allowance and Widow Allowance payments

2. Build in regular indexation to relevant concessions and subsidies (based on price reviews) to ensure such concessions keep pace with rising living costs, e.g.:
   - NTPCCS concessions such as the Motor Vehicle Registration Fee Concession
   - PATS concessions such as the commercial accommodation subsidy, private accommodation subsidy and fuel subsidy

3. Provide mechanisms to enable low-income households to improve energy and water efficiency, such as:
   - Incentives for private and public housing landlords to improve energy and water efficiency; and,
   - Low-interest loans and/or more rebates for solar power and solar hot water systems – to make them more accessible to low income households

4. Urge the Commonwealth Government to increase the base rate Allowance payments, such as Newstart, Youth Allowance and Widow Allowance, by $50 per week

5. Urge the Commonwealth Government not to remove the Energy Supplement.

## APPENDIX

**Appendix A:** Table 3: CPI Changes, Expenditure Type Darwin vs National – over past quarter and past year. This table shows the trends in the CPI for all of the 11 CPI categories measured by the ABS quarterly and over the past year.

| Cost of Living area | Darwin CPI | | National CPI | |
|---|---|---|---|---|
| | Last Quarter Mar 2017 - Jun 2017 % change | Past Year Jun2016 - Jun 2017 % change | Last Quarter Mar 2017- Jun 2017 % change | Past Year Jun 2016 – Jun 2017 % change |
| **Food & Non-Alcoholic Beverages** | -0.3% | 1.3% | -0.2% | 1.9% |
| Meat and seafood | -0.5% | -0.9% | -0.2% | 0.2% |
| Dairy & related products | -0.6% | -4.3% | -0.2% | -2.1% |
| Fruit | -5.5% | 4.8% | -4.4% | 6.4% |
| Vegetables | -0.2% | 10.2% | 0.3% | 11.1% |
| **Alcohol & Tobacco** | -0.2% | 4.0% | 0.8% | 5.9% |
| Alcohol | 0.2% | 1.3% | 0.5% | 1.4% |
| Tobacco | -0.9% | 8.0% | 1.0% | 12.1% |
| **Clothing & Footwear** | 0.4% | -2.8% | -0.3% | -1.9% |
| **Housing (includes utilities)** | -0.5% | -1.9% | 0.3% | 2.4% |
| Rents | -1.9% | -7.2% | 0.2% | 0.6% |
| New dwelling purchase | 0.2% | 0.3% | 0.9% | 2.8% |
| Utilities | 0.0% | 0.0% | 0.0% | 4.5% |
| Water & Sewerage | 0.0% | 0.0% | 0.0% | -1.8% |
| Electricity | 0.0% | 0.0% | -0.2% | 7.8% |
| Gas and other household fuels | 0.2 % | -1.3% | 0.4% | 2.8% |
| **Furnishings, household equipment & services** | 0.0% | -0.3% | 0.7% | 0.0% |
| **Health** | 2.9% | 3.4% | 2.7% | 3.8% |
| Medical and hospital services | 4.8% | 5.3% | 4.1% | 5.3% |
| Dental services | 0.3% | 1.4% | 0.5% | 0.8% |
| **Transport** | -1.0% | 3.2% | -0.6% | 2.1% |
| Automotive Fuel | -6.0% | 11.4% | -2.5% | 6.9% |
| Public Transport | 0.0% | 0.0% | 0.2% | 1.4% |
| **Communication** | -0.5% | -3.8% | -0.5% | -3.8% |
| Telecommunication Equipment & Services | -0.6% | -4.3% | -0.5% | -4.2% |
| **Recreation & culture** | 3.9% | 0.2% | -0.6% | -0.1% |
| Audio, visual, computing equipment & services | 0.4% | -3.5% | -0.5% | -4.0% |
| Audio, visual and computing equipment | 0.2% | -6.0% | -0.8% | -7.0% |
| **Education** | 0.0% | 2.7% | 0.0% | 3.3% |
| **Insurance & financial services** | 0.5% | -1.4% | -0.1% | 2.1% |
| Insurance | 0.1% | 1.1% | -1.0% | 4.3% |
| **CPI All Groups** | 0.3% | 0.5% | 0.2% | 1.9% |

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

## EXPLANATORY NOTES

**1. CPI and Living Cost Indexes**

The ABS Selected Living Cost Indexes (SLCI) uses a different methodology to the CPI. CPI is based on acquisition (i.e. the price at the time of acquisition of a product) while the living cost index is based on actual expenditure. This is particularly relevant in relation to housing costs where CPI traces changes in house prices, while the SLCI traces changes in the amount expended each week on housing (e.g. mortgage repayments). Further information is available in the Explanatory Notes to the Selected Living Cost Indexes (ABS 2017c).

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

"The Selected Living Cost Indexes (SLCIs), Australia incorporates the Pensioner and Beneficiary Living Cost Index (PBLCI) and the Analytical Living Cost Indexes (ALCIs). The ALCIs have been compiled and published by the ABS since June 2000 and were developed in recognition of the widespread interest in the extent to which the impact of price change varies across different groups of households in the Australian population" (ABS 2017c).

"ALCIs are prepared for four types of Australian households:

- employee households (i.e. those households whose principal source of income is from wages and salaries);
- age pensioner households (i.e. those households whose principal source of income is the age pension or veterans affairs pension);
- other government transfer recipient households (i.e. those households whose principal source of income is a government pension or benefit other than the age pension or veterans affairs pension); and
- self-funded retiree households (i.e. those households whose principal source of income is superannuation or property income and where the Household Expenditure Survey (HES) defined reference person is 'retired' (not in the labour force and over 55 years of age)" (ABS 2017c).

**2. Limitations of the Selected Living Cost Indexes**

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

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

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

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

The Selected Living Cost Indexes’ household income figures are based on households that are the average size for that household type: which for Aged Pensioners is 1.52 and Other Government Transfer recipients 2.57 (ABS, 2017c). This makes comparison with allowances difficult. This Report primarily focuses on single person households or a single person with two children (to align to the other welfare recipient household average of 2.57 persons). However, this is a proxy rather than statistical correlation (Adapted from SACOSS 2014, p. 9-

10). While the Selected Living Cost Indexes do have some limitations in terms of tracking cost of living changes overall however, they provide a "robust statistical base, quarterly tracking of changes and a long time series, which all provide valuable data for analysis" (SACOSS 2014, p.10).

**3. How Pension rates are adjusted**

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

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

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

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

**Table 4a:** Weekly Payment Rates at 30 June 2016

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

**Table 4b:** Weekly Payment Rates at 30 June 2017

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

*Sources: Centrelink 2016 p. 2, 5, 13, 24, 26, 32, 37, 38 & Centrelink 2017, p. 2, 5, 13, 25, 27, 32, 33, 38, 39*
*Note - All figures are based on maximum rates of payment where relevant*
*2 children for Newstart calculation based on 1 child under 13 y.o.; and one child b/w 13-15 y.o.*

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[i] *NOTE: The Minimum Wage figure referred to on page 9 of $672.70 is for a 38 hour week (before tax) and is the minimum wage for the period 1 July 2016 – 30 June 2017.*