

COST OF LIVING REPORT

SEPTEMBER 2016

ISSUE
13

CPI Update: The impact of Cost of
Living changes on low income and
disadvantaged Northern Territorians



About NTCOSS

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

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

NTCOSS' vision is for

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

NTCOSS' mission is

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

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

NTCOSS Cost of Living Report - Issue No. 13, September 2016

First published in September 2016 by the Northern Territory Council of Social Service Inc.

1/18 Bauhinia Street (PO Box 1128)

Nightcliff NT, 0814, Australia

Ph (08) 8948 2665

Email: admin@ntcross.org.au

Website: www.ntcross.org.au

© Northern Territory Council of Social Service, 2016

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

Contents

Introduction.....	2
Changes in the CPI over the past year	3
Price movement in goods and services for low income households	4
How well are income support payments keeping up with Cost of Living changes?	7
The Inadequacy of the Indexation system for Allowance Payments	8
Economic Outlook for the NT	10
The Challenge for the new NT Government	11
NTCOSS Recommendations	13
Appendix A – Cost of Living Changes, Expenditure Type Darwin vs National - Past Quarter and Past Year	16
Explanatory Notes	17
References	21

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.

The Northern Territory is a vast expanse, with significant differences between Darwin, Alice Springs, other centres and remote communities in terms of access to services and facilities. Differences exist in terms of quality of infrastructure (e.g. roads) and difficulties in access to major centres for some remote communities, often due to the impact of weather conditions at certain times of the year. Examining the impacts of cost of living pressures must be seen in a broad context, as there cannot be a one size fits all response to addressing the needs of all Territorian households.

This report focuses on both the changes in the overall CPI for Darwin as well as a range of key expenditure areas over the past year (ABS¹ 2016d and ABS 2016e), in addition to the Selected Living Cost Index for particular household types (ABS 2016a)

It is important to note that CPI figures only reflect trends for capital cities and nationally and cannot tell us about trends in price movement for states and territories, nor for regional areas. The makeup of the basket of goods and services must also be taken into account when considering the cost of living. If expenditure on the bare essentials makes up most or even all of the expenditure for low income households, then it is the price increases in those areas that will have a greater negative impact on some households. Increases in the prices of bare essentials may be masked in the generic CPI by rises or falls in other goods and services in the CPI basket, which may be discretionary items, and therefore more likely to be purchased by higher income households and therefore less pertinent to low income households (SACOSS 2014).

The methodology used for the Selected Living Cost Indexes is different to that used for the CPI (further explained in 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 2016a). The Selected Living Cost Indexes 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, there are goods and services in the CPI basket that are not part of the expenditure of many low income households (SACOSS 2014).

The report also looks at whether changes in income support payment are keeping pace with rising living costs – and examines whether the current indexation systems for payments are adequate.

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

Changes in the CPI over the past year

Table 1: Changes in CPI over the past year (June 2015 – June 2016) Darwin vs National Figures:

CPI (All Groups)

Darwin  0.3% vs Australia  0.4% in the last quarter (to June 2016)

Darwin Flat (0.0%) vs Australia  1.0% over the past year (to June 2016)



Movement in CPI categories: Darwin vs National over the past year (to June 2016)

Increases in Darwin over the past 12 months

Insurance

 4.5% vs Australia  6.3%



Health

 4.3% vs Australia  4.5%

Education

 3.5% vs Australia  3.3%

Alcohol & Tobacco

 7.0% vs Australia  5.9%

Food & non-alcoholic beverages

 0.4% vs Australia  -0.1%

Decreases in Darwin over the past 12 months

Clothing & Footwear

 -3.2% vs Australia  -0.2%



Housing (including utilities)

 -2.3% vs Australia  1.3%



Rent

 -6.4% vs Australia  0.7%

Electricity

 -5.5% vs Australia  -2.0%

Transport

 -3.2% vs Australia  -2.8%

Automotive Fuel

 -13.4% vs Australia  -11.6%

Communication

 -7.2% vs Australia  -7.2%

Significant changes in CPI categories Darwin vs National over the past quarter (to June 2016)

Health

 3.2% vs Australia  2.6%

Rent

 -2.0% vs Australia  0.2%

Automotive Fuel

 -3.6% vs Australia  5.9%

Clothing & Footwear

 2.2% vs Australia  2.0%

Source: ABS 2016d and ABS 2016e Data 4, 5, 6

It is important to take into consideration that the CPI-All Groups is an average figure and amongst the 11 major CPI categories, there are price fluctuations both up and down. Where price rises occur for essential items of expenditure such as health and insurance these are likely to have a greater impact on low income and disadvantaged Territorian households, as these items require a greater proportion of weekly income for these households.

In addition, while there have been some price decreases in some key expenditure areas – e.g. rent, this only tells part of the story. NTCOSS has highlighted over many years that the Northern Territory has some of the highest rent prices compared with other jurisdictions – so while they have dipped recently, rental prices are still high, and place great strain on lower income households.

In addition, while fuel prices have dropped in Darwin (and in major regional centres) NTCOSS has continually highlighted the huge disparity between fuel prices in major centres and remote areas of the Territory. In some communities, customers are paying up to twice the price of fuel in Darwin and Katherine (NTCOSS 2016, P.21).

Price increases in critical expenditure areas continue to place great strain on lower income households, and cannot be ignored. And while a low or steady rate of CPI over the past decade may seem like good news, not all Territorian households are enjoying the benefits of this, as the overall CPI ‘All groups’ figure doesn’t reflect what prices are doing for particular categories of goods and services or in other parts of the Territory

Price movement in goods and services for low income households

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

These next sections examine the price movement for goods and services purchased by low income households, and how well Australia’s income support system helps 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” and “Other Government Transfer Recipient” households, “Employee” households and “Self Funded Retirees” (ABS 2016a).

NTCOSS is specifically focused on the cost of basket which applies 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.

Table 2: Movement in the Selected Living Cost Index (SLCI) over the past year (June 2015 - June 2016) Darwin vs National figures:

Changes in SLCI figures over the past year (to June 2016)

National CPI all groups ↑ 1.0%

SLCI for Age Pensioners ↑ 0.7%, below the CPI increase

SLCI for Other Government Transfer Recipients ↑ 1.1%, above the CPI increase

SLCI for Employee Households ↑ 1.0%, on par with the CPI increase

SLCI for Self-funded Retirees ↑ 1.1%, above the CPI increase

Source: SLCI Figures taken from ABS 2016a and ABS 2016d Data 6

Changes in SLCI figures over the past quarter (to June 2016)

National CPI all groups ↑ 0.4%

SLCI for Age Pensioners ↑ 0.5%, above the CPI increase

SLCI for Other Government Transfer Recipients ↑ 0.5%, above the CPI increase

SLCI for Employee Households ↑ 0.3%, below the CPI increase

SLCI for Self-funded Retirees ↑ 0.4%, on par with the CPI increase

Source: SLCI Figures taken from ABS 2016a and ABS 2016e Data 6

Contributing Factors to the changes in the SLCI Figures:

Some of the contributions to the SLCI figures over the previous quarter are identified here:

Other Government Transfer Recipients Households (0.5% Increase)

Contributors to the rise in SLCI

Transport (+1.5%) contributed to the rise in the SLCI, as per above for Age Pensioner households.

Alcohol and tobacco (+1.5%) mainly due to the rise in tobacco. "Increases to tobacco are mainly due to price rises resulting from the 1.2% federal excise increase effective from 1 March 2016." (ABS 2016b)

Contributors to the offsetting movement

Food (-0.4%) contributed the most significant offsetting movement this quarter, as per above for Age Pensioner households (ABS 2016b).

Age Pensioner Households (0.5% increase)

Contributors to the rise in SLCI

Health (+1.7%) contributed to the rise, driven by a “rise in private health insurance premiums from 1 April” (ABS 2016b).

Transport (+1.6%) contributed to the rise, “driven by increases in unleaded, premium and ethanol fuels, as world oil prices increased from a 12-year low last quarter to over \$US45 at the end of May” (ABS 2016b).

Rises in health costs are particularly significant for Age pensioner households – as they have a higher expenditure on health, when compared to the broader population, though health prices rises and falls are cyclical – usually rising in the March and June quarters of each year (ABS, 2016b).

Contributors to the offsetting movement

Food (-0.2%) partially offset the rises, “driven by significantly increased specialising across a number of item categories” (ABS 2016b).

Employee Households (0.3% Increase)

Contributors to the rise in SLCI

Health (+2.2%) contributed to the rise, as per above (ABS 2016b).

Transport (+1.1%) also contributed to rise, as per above (ABS 2016b).

Contributors to the offsetting movement

Recreation and culture (-0.6%) contributed the most significant offsetting movement this quarter, “driven by domestic holiday travel and accommodation. Falling accommodation and airfare prices reflect the softening demand during the winter period” (ABS 2016b).

The rate of rise in SLCI for Employee households below the CPI is partially due to the fact that their SLCI does “not include new dwelling purchase by owner-occupiers, which rose this quarter, driven by increasing material costs in some cities.”

Self Funded Retiree Households (+0.4% Increase)

Contributors to the rise in SLCI

Health (+2.9%) contributed to the rise, as per above (ABS 2016b).

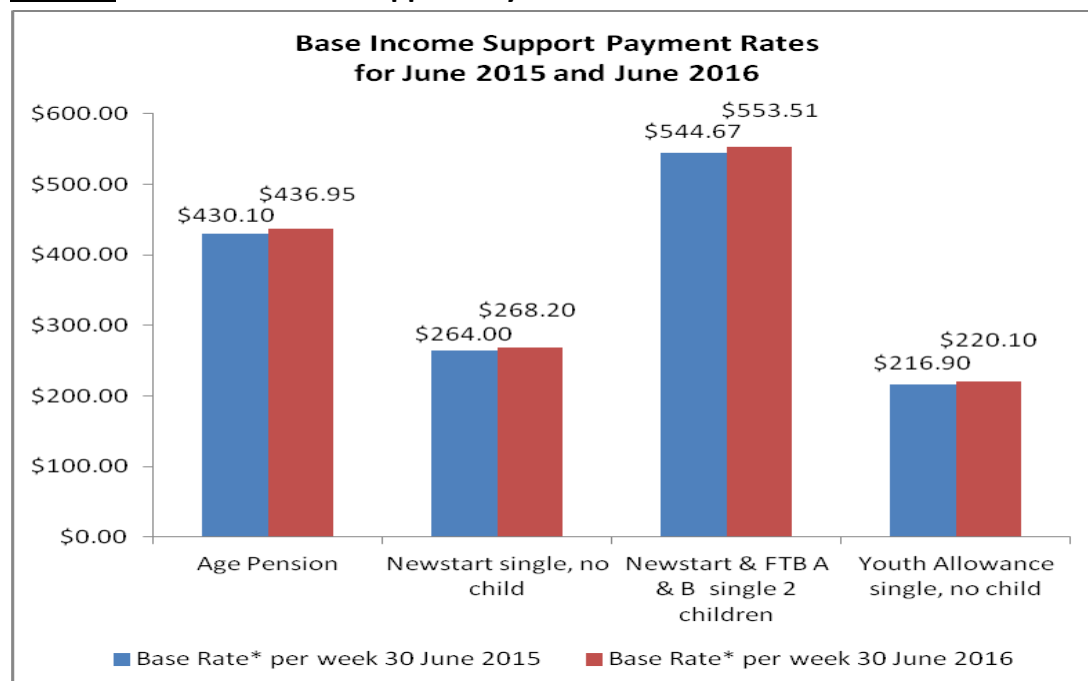
Transport (+0.9%) also contributed to rise, as per above (ABS 2016b).

Contributors to the offsetting movement Recreation and culture (-1.0%) contributed the most significant offsetting movement (ABS 2016b).

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

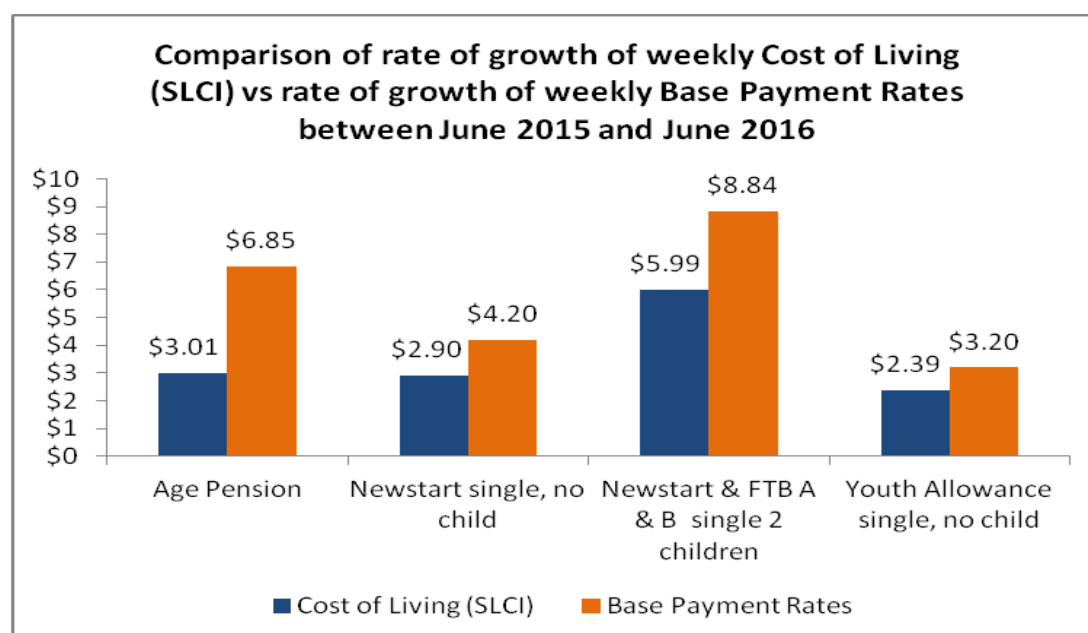
Where an income support payment is the sole income source of a recipient (who is invariably on a very small income), regularly setting aside a significant amount of the weekly benefit as savings is a very difficult task. For someone on the base level of payments, and assuming they spend all their income, the dollar value of changes in cost of living over the past year has been calculated, as shown in Figure 1.

Figure 1: Selected Income Support Payments rates as at June 2015 and June 2016



Sources: Centrelink 2015 & Centrelink 2016. NB: For simplicity, some supplements & Rent Assistance were not included in Table 5, as these can vary from person to person

Figure 2: Growth in Selected Income Support Payment rates vs Cost of Living (SLCI)



Sources: Centrelink 2015 & Centrelink 2016; ABS 2016a. Note: The rate of growth of the SLCI is calculated by multiplying the June 2015 base payment rate by the increase in the SLCI over the past year

Working on an assumption that all weekly income has been spent, for each of the payments types in Figure 1, Figure 2 shows the weekly increase in cost of living for each payment category (based on the change in the SLCI over the past year) has been covered by the increase in the base payments over the past 12 months.

These figures indicate that currently for households which rely on income support payments, the increase in the payments over the past year has managed to cover the rising costs of living. It can be seen, however, that the gap between the increase in base payment and the cost of living is much smaller for a person receiving the single rate of Newstart or the single rate of Youth Allowance (with no children).

In addition, Newstart and Youth Allowance recipients are starting from an already inadequate base rate of payment, so while their payments are currently keeping up with the increase in costs of living, their low income means that difficult decisions have to be made about what living expenses can met.

Living on \$220.10 per week on Youth Allowance, or \$268.20 on Newstart, for example, means that there are very few discretionary expenditure items. Housing, food, transport, health and utilities bills all have to be squeezed into a very small payment which is around \$400 under the minimum wage as at 20 June 2016² (\$656.90 per week, (Fair Work Commission 2016).

Living on such a low income means if there is a large car repair bill or an unexpected medical bill – some other essential items might have to be forgone (e.g. paying an electricity bill late, and risking disconnection, or having to spend less money on food) in order to meet urgent bill payments.

These figures also underline the importance of the current method of indexation used for adjusting pension rates every six months, where payment increase are linked to Male Total Average Weekly Earnings and prices (CPI) – to ensure that pensioners do not drop behind society averages (See Explanatory Note 3). Note that 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.

The Inadequacy of the Indexation system for Allowance Payments

The indexation system for Newstart and Youth Allowance and other base level benefit allowances, where increases are linked to CPI only, does not ensure that increases in allowances will always keep up with the cost of living – even though they are doing so at the moment. As NTCOSS (2016, p.35) highlighted, the base rate Age Pension has risen at nearly two and a half times the rate of the Newstart payment over the ten year period from March 2006 to March 2016 (77.3% vs 31.6%), with the pension rate increasing \$189, while Newstart only increased by \$63 in this time. At the same time the CPI - All Groups only increased by 28.2% nationally.

NTCOSS (2016, p. 34) also highlighted that for the ten year period up until March 2016, the SLCI increase was highest for people on other government welfare payments (32.6%), yet it is these

² \$656.50 is the minimum wage for the period 1 July 2015 – 30 June 2016

households which receive the lowest income out of all of the groups listed in Table 1, meaning that the cost of goods is going up highest for those who can least afford it.

Over this same ten year period, the Newstart Allowance rose “slightly higher than the CPI ‘All Groups’ Australia – against which it is indexed, however...the costs of many goods (electricity, rents) have risen at a far greater rate than the CPI ‘All Groups’, and disproportionately impact on low income and disadvantaged households (NTCOSS 2016, p.35).

A very recent report commissioned by the Benevolent Society, the Longevity Innovation Hub and Per Capita, released in September 2016, investigating the adequacy of the Age Pension in Australia highlighted that “there is some inadequacy in our public pension settings in Australia today. We believe that the Age Pension in Australia is not adequate to live a life of dignity without considerable sacrifice, especially for renters” (Smith & Hetherington 2016, P.37). This report made some specific recommendations around indexation and commonwealth rent assistance, which NTCOSS supports.

The Smith and Hetherington report also highlighted that the single rate of pension of \$437 per week (including the pension supplement and energy supplement) is only barely above the poverty line of \$422 per week for a single person not in work (calculated by the Melbourne Institute of Applied Economic and Social Research, cited in Smith & Hetherington (2016, P.37). Without diminishing the significance of the issue of the inadequacy of the age pension, which NTCOSS fully supports addressing, if the age pension has been found to be inadequate – how much more inadequate is the Newstart Allowance, which is currently \$168 per week lower than the age pension.

A payment of \$38 a day is simply not enough to live on, and in line with calls by the Australian Council of Social Service (ACOSS), and a number of other prominent organisations in recent years, including: the Business Council of Australia, the Organisation for Economic Development, the Australian Council of Trade Unions, and the former Commonwealth Government’s Henry Tax Review, NTCOSS continues to call on the Commonwealth Government to increase the base rate of the Newstart Allowance and other based level payments by \$50 per week.

With the low base payments for allowances, and with increases in payments being linked to CPI only, Newstart payments lag further behind the Age And Disability Support) pensions. This issue must be addressed as a matter of urgency.

Economic Outlook for the NT

The Deloitte Access Economics (DAE) economic and employment forecasts for the NT for the next five years, while still positive, are not as high as the expected projections from 12 months ago.

Table 3: Economic Growth Forecasts: NT vs National - at June 2016

Economic Growth Forecasts	NT Forecasts	National Forecasts
2015-16 (estimate)	↑ 3.0%	↑ 3.0%
2016-17 (forecast)	↑ 2.9%	↑ 2.6%
5 year average annual growth rate (2015-16 to 2019-20)	↑ 3.3%	↑ 2.8%

Source: NT Government 2016, p. 1

The current 5 year average annual growth rate of 3.3% forecast is below the 4.1% forecast a year ago (June 2015), meaning the NT now has the second highest economic growth forecasts of all jurisdictions (down from having the highest forecasts a year ago), with Queensland now having the highest forecast figure(3.6%). Nationally, the five year forecast is the same as from a year ago (NT Government 2016, p.1; NT Government 2015, p.1).

Table 4: Employment Forecasts: NT vs National - at June 2016

Employment Forecasts	NT Forecasts	National Forecasts
2015-16 (estimate)	↑ 1.2%	↑ 1.2%
2016-17 (forecast)	↑ 1.7%	↑ 1.4%
5 year average annual growth rate (2015-16 to 2019-20)	↑ 1.5%	↑ 1.5%

Source: NT Government 2016, p.2

The current 5 year average annual growth rate forecast for the NT represents an improvement on the June 2015 5 year forecast of +1.3%. There has also been an improvement in the national 5 year forecast (1.5%) up from 1.4%, a year ago (NT Government 2016, p.2; NT Government 2015, p.2).

The Challenge for the new NT Government

The projections for the economic situation in the NT, while still positive, are not as strong as was anticipated a year ago. Coupled with cost of living issues, this presents some challenges for the new NT government which has the delicate task of balancing economic and employment growth in a context where there have been historically high costs of living, particularly in relation to key areas such as housing, food, transport and utilities prices. While there has been an easing of costs in some of these expenditure areas in recent years, some prices still remain high overall such as rent.

In addition, the Government has to consider the needs of a significant proportion of the population who face barriers to education, training and employment, in addition to high living costs, which are further exacerbated as a result of remoteness. Poverty and disadvantage are very real issues in the Northern Territory and reducing the levels of both of these presents a significant challenge.

People living in remote areas also face lack of access to service provision, and the Government is tasked with allocating finite resources towards the provision of essential services – provided by both the government and non-government sectors - such as health services, family support services, education and training and early intervention. If these services are resourced well, they can contribute to the lifting of people out of poverty and disadvantage.

As the previous NTCOSS Cost of Living Report showed (NTCOSS 2016) cost of living pressures have increased markedly in a number of key areas over the past decade (March 2006 - March 2016). Analysis of the more recent June 2016 CPI figures shows that in the past ten years there have been major overall rises in electricity (86.9%), water (154.6%), insurance (72.6%), rent prices (61.2%), education (53.1%) and health costs (51.4%) being the CPI areas hardest hit. Prices in all of these expenditure areas rose well above the generic CPI (all groups) for Darwin of 28.5% over the previous decade (to June 2016), (figures derived from ABS 2016e).

At the same time over the past decade there has been an overall slowing in the CPI 'All Goods' growth. Some CPI categories have seen a slowing of growth, with their CPI being below the generic (all groups) CPI, with some CPI categories even having had significant decreases. Food (22%), transport (11.2%) furnishings, household equipment and services (15.4%) and recreation and culture (2.2%) have all risen at a rate below the generic (All Groups) CPI for Darwin. During the same period, fuel prices (a sub category of transport) have decreased (-14.5%), as have clothing and footwear (-1.7%) as well as communications (-5.0%), (figures derived from ABS 2016e).

As NTCOSS has regularly highlighted, where price rises occur for essential items of expenditure such as rent, electricity and health services, these are likely to have a greater impact on low income and disadvantaged Territorian households, as such items use up a greater proportion of the weekly income for these households.

These concerns are also reflected in the national figures for the last decade for the costs of goods actually purchased by different groups (as reflected in the SLCI figures), with the costs for age

pension households (up 30.3%) and other income support payment recipients (up 32.6%), rising faster than the cost of goods for employees (26.9%) or self funded retirees (27.8%), (derived from ABS 2016a).

Price increases in critical expenditure areas continue to place great strain on lower income households, and cannot be ignored. While the fact the NT has experienced a low or steady rate of CPI over the past decade may seem like good news, not all Territorian households are enjoying the benefits of this. The overall CPI 'All Groups' figure simply does not reflect what prices are doing for particular categories of goods and services, nor does it reflect what is happening in other parts of the Territory outside Darwin.

The previous NTCOSS Cost of Living Report (NTCOSS 2016, p. 20) highlighted several key areas that require immediate Government attention. While Darwin, and a number of major centres around the NT are experiencing much lower fuel prices now, than in the past, these low prices are not being enjoyed by Territorians in remote communities. In fact, in some remote areas fuel costs twice the price as it does in the Top End.

The price issue for remote fuel is also seen in relation to remote food, where over the last 5 years people in remote communities have been paying at least 40% more (and as high as 53% more) when compared to prices for the exact same goods in a Darwin supermarket (NTCOSS 2016, p. 12).

One particularly telling statistic in relation to food prices is that the average price of dairy products in remote community stores has increased by around 170% since 2005, according to NT government figures, but this has occurred while dairy prices in Darwin have actually dropped. **Examination of what is driving the much higher food prices in remote areas is urgently required.**

The area of concessions was also highlighted in the last Cost of Living Report, and NTCOSS believes that the new NT Government can move quickly to address community concerns about whether the Northern Territory Pensioner and Carer Concession Scheme (NTPCCS) targets those who are most disadvantaged, by committing to undertake a comprehensive review of the NTPCCS as a matter of priority.

NTCOSS Recommendations

The previous NTCOSS Cost of Living Report made a number of recommendations (NTCOSS 2016, p. 6-36), which provide some concrete proposals for the Northern Territory Government to consider.

In relation to the following cost of living areas, NTCOSS calls on the NT Government to :

Electricity, Water & Sewerage

1.1 Make changes to the NTPCCS in relation to electricity, water and sewerage concessions – including:

- Extending the electricity, water and sewerage concessions to all health care card holders (see also Rec. 8.1)
- Imposing a cap on concessions based on consumption levels (electricity and water)
- Improved marketing and support for customers, incl. prepayment (electricity) customers, to access concessions

1.2 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, solar hot water accessible to low income households.

Remote Food

2.1 Commence a process for the development of a forum for addressing food pricing in the NT, to establish engagement between community, industry, research bodies and government to address price disparities between major supermarkets and remote and corner stores.

2.2 Establish timeframes and targets to reduce the price of fruit and vegetables down to the Darwin supermarket average.

2.3 Address transport issues which impact on the cost of food for households in the NT – including support of local transport solutions in regional and remote areas, which assist community members to access stores where there is greater variety and cheaper prices.

Remote Fuel

3.1 Formally investigate the price disparity between petrol prices in remote areas and larger regional centres.

Health

4.1 Increase health funding towards preventative and early intervention measures to reduce the high costs borne by the medical and health system

4.2 Amend the Patient Assistance Travel Scheme to improve access to health services, including coverage of dental services

Insurance

In conjunction with the Commonwealth Government,

5.1 Adopt Recommendation 4 from the 2013 Senate Environment and Communications References Committee³ (SECRC) (2013. p.viii) that disincentives to insurance, such as taxes and levies applied by the states and territories, should be removed as part of a national reform process.

³The Senate Standing Committees on Environment and Communications sits under the Senate Standing Committees on Environment and Communications

- 5.2 Increase the proportion of spending on risk mitigation initiatives relative to post disaster recovery and reconstruction.
- 5.3 Implement Recommendation 8 from the SECRC (2013, p. viii) to ensure that all facilities caring for vulnerable groups, in particular hospitals, schools, childcare and aged care facilities, have emergency management plans, relevant to their geographic settings, in place and regularly revised.

Housing

- 6.1 Adopt NT Shelter Recommendation (4) from its 2016/17 Pre-Budget Submission:
- b) The NT Treasury set aside allocations each financial year, for at least 5 consecutive years, from the NT Infrastructure Development Fund to:
 - i. finance affordable housing provision through support to our fledgling community housing sector in urban and regional centres;
 - ii. finance the establishment of a number of regional Aboriginal community housing organisations to grow and meet demands to maintain and manage social housing beyond the Remote Indigenous Housing Strategy; and
 - iii. support Aboriginal Housing NT to ensure Aboriginal community leaders can contribute to improving housing options (NT Shelter 2015, p.5); and
- 6.2 Adopt NT Shelter Recommendation (5) from its 2016/17 Pre-Budget Submission:
- Roll out a cyclical maintenance program linked to local Aboriginal community workforces throughout the NT to extend the longevity of the NT's social housing stock, at the same time lessening social housing vacancy periods (NT Shelter 2015, p.5).
- 6.3 Urge the Commonwealth Government to increase and index Commonwealth Rent Assistance to match rises in rental prices – taking into account regional differences.

Transport

- 7.1 Review public bus routes and timetables to facilitate a more effective service – and reduce the significant reliance on taxis and minibuses for many low income Territorians. Consider free off-peak public transport for concession and health care card holders.
- 7.2 Further support and fund the development of self sustainable community transport options so local transport/support services can be developed in towns and in regional and remote areas.
- 7.3 Make improvements to road infrastructure as current poor road conditions in many areas causes significant wear and tear on vehicles which travel in and out on a regular basis, and poor road conditions contribute to safety issues as well.

Concessions

- 8.1 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. This would include all those who are on the Newstart and Youth Allowances (*see also Electricity and Water section*).
- 8.2 Build in regular indexation to relevant concessions (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;
 - the NT Taxi Subsidy Scheme (NTTSS)

Income Support Payments

- 9.1 Urge the Commonwealth Government to increase the base rate of the Newstart Allowance by \$50 per week.

These recommendations reflect the significant needs in a number of cost of living areas for low income and disadvantaged Territory households. NTCOSS encourages the new Government to develop a plan to address these cost of living pressures to 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 contribute their skills and experiences.

To ensure that the Northern Territory is a great place to live for all Territorians, there needs to be concerted collaborative efforts on behalf of both the NT and Federal Governments, particularly in relation to remote food and fuel prices as well as concessions and subsidies for electricity and rent. In addition there needs to be a rise in the rate of Newstart by \$50 per week.

Appendix A – Cost of Living Changes, Expenditure Type Darwin vs National - Past Quarter and Past Year

Appendix A shows the trends in the CPI for the previous quarter and for the past year, for all of the 11 CPI categories measured by the ABS quarterly – as well as some of the sub categories (e.g. rent, fruit, vegetables and dairy products) showing how specific cost of living areas have impacted on the overall 'All Groups' CPI figure for Darwin since June 2015.

Table 5: Cost of Living Changes, Darwin vs National – Past Quarter and Past Year

Cost of Living area	Darwin CPI		National CPI	
	Last Quarter April 2016- June 2016 % Change	Past Year June 2015 – June 2016 % change	Last Quarter April 2016- June 2016 % Change	Past Year June 2015 – June 2016 % change
Food & Non-Alcoholic Beverages	-0.5%	0.4%	-0.3%	-0.1%
Dairy & related products	-0.5%	1.7%	0.5%	-1.3%
Fruit	-0.1%	-1.8%	0.8%	-5.5%
Vegetables	1.5%	0.8%	2.1%	-0.5%
Alcohol & Tobacco	1.4%	7.0%	1.0%	5.9%
Clothing & Footwear	2.2%	-3.2%	2.0%	-0.2%
Housing (includes utilities)	-0.6%	-2.3%	0.4%	1.3%
Rent	-2.0%	-6.4%	0.2%	0.7%
Utilities	-0.1%	-4.0%	-0.2%	-0.4%
Water & Sewerage	0.0%	0.9%	0.0%	2.6%
Electricity	0.0%	-5.5%	-0.4%	-2.0%
Furnishings, household equipment/ services	1.0%	1.6%	0.6%	1.6%
Health	3.2%	4.3%	2.6%	4.5%
Transport	-0.4%	-3.2%	1.0%	-2.8%
Automotive Fuel	-3.6%	-13.4%	5.9%	-11.6%
Communication	-1.4%	-7.2%	-1.5%	-7.2%
Recreation & culture	1.8%	1.3%	-0.7%	0.8%
Education	0.0%	3.5%	0.0%	3.3%
Insurance & financial services	0.2%	2.3%	0.5%	2.4%
Insurance	0.5%	4.5%	1.4%	6.3%
CPI All Groups	0.3%	0.0%	0.4%	1.0%

Source: ABS 2016d and ABS 2016e 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 in that the 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 2016c).

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 2012).

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).

At the more technical level, the SLCIs are for households where the 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).

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. For 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).

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 so does not track the expenditure substitutions and the impact that has on cost of living and lifestyle (Adapted from SACOSS 2014).

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 for Other Government Transfer recipients it is 2.57 (ABS, 2016c) which 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).

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).

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). Note: Allowance payments, such as Newstart and Youth Allowance are indexed to the CPI only, and are adjusted every 6 months, in March and September (Adapted from SACOSS 2014).

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; a single Newstart recipient with two children (aged 10 and 14), and a single Youth Allowance recipient, who are not in receipt of Commonwealth Rent Assistance. 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 etc. Payment rates for single people are used here for simplicity – as partner's income for partnered recipients adds another layer of complexity (Adapted from SACOSS 2014).

Table 6a: Weekly Payment Rates at 30 June 2015

	Base Rate	Pension Supp	Energy Supp*	FTB A Child u13	FTB A Child 13-15	FTB B	Pharma Benefit	TOTAL PAYMENT
Aged Pension (single)	\$391.10	\$31.95	\$7.05					\$430.10
Newstart (single, no children)	\$259.60		\$4.40					\$264.00
Newstart (single, 2 children)	\$280.90		\$4.75	\$88.41	\$115.01	\$52.50	\$3.10	\$544.67
Youth Allowance (single, no children)	\$213.40		\$3.50					\$216.90

Table 6b: Weekly Payment Rates at 20 June 2016

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

Source: Figures derived from Centrelink 2015 and Centrelink 2016.

Note - All figures are based on maximum rates of payment where relevant (2 children for Newstart calculation based on 1 child under 13 y.o.; and one child b/w 13-15 y.o.).

References

ABS 2016a, *6467.0 Selected Living Cost Indexes, Australia, JUNE KEY FIGURES, June 2016*, Australian Bureau of Statistics, Canberra.

ABS 2016b, *6467.0 Selected Living Cost Indexes, Australia, June 2016, MAIN CONTRIBUTORS TO CHANGE*, Australian Bureau of Statistics, Canberra.

ABS 2016c *6467.0 Selected Living Cost Indexes, Australia, June 2016: Explanatory Notes*, Australian Bureau of Statistics, Canberra.

ABS 2016d, *6401.0 - Consumer Price Index, Australia, June 2016. Table 10, Percentage change from corresponding quarter of previous year by Capital City*, Australian Bureau of Statistics, Canberra.

ABS 2016e, *6401.0 - Consumer Price Index, Australia, June 2016. Table 11, Percentage change from previous quarter by capital city*, Australian Bureau of Statistics, Canberra.

Centrelink 2015, *A Guide to Australian Government Payments*, released quarterly. Australian Government, Canberra, 20 March 2015 – 30 June 2015 Figures.

Centrelink 2016, *A Guide to Australian Government Payments*, released quarterly. Australian Government, Canberra, 20 March 2016 – 30 June 2016 Figures.

Fair Work Commission 2016, *Awards and Agreements: National Minimum Wage Orders*, accessed 28 February 2016

<http://www.fwc.gov.au/awards-and-agreements/minimum-wages-conditions/national-minimum-wage-orders>

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

Parliamentary Library 2014, *Flagpost Information and research from the Parliamentary Library, 'Pension Indexation a brief history'*,

http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2014/April/Pension-indexation

NT Government 2015, Dept Treasury Economic Brief, Deloitte Access Economics June quarter 2015.

NT Government 2016, Dept of Treasury Economic Brief, Deloitte Access Economics June quarter 2016.

NT Shelter (2015) Pre-Budget Submission 2016/17, 2015, Darwin, NT.

SACOSS (2012) South Australian Council of Social Service, *Cost of Living Update No. 9 February 2012 (Health)*.

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

Smith, W & Hetherington, D (2016), *The Adequacy of the Age Pension in Australia - An assessment of pensioner living standards*, Per Capita Australia Limited 2016.

The Senate Environment and Communications References Committee (SECR) (2013), *Recent trends in and preparedness for extreme weather events*, Australian Government, Canberra ACT, 2013.