

NTCOSS

NT Council of Social Service Inc.



COST OF LIVING REPORT

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



Issue No.11 April 2016

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).

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.”

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.

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NTCOSS Cost of Living Report

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Introduction

This report examines changes in the cost of living, particularly for vulnerable and disadvantaged Northern Territorians.

The report is divided into two parts. The first focuses on highlighting changes in the cost of living in the last quarter and over the last 12 months, using the Australian Bureau of Statistics' Selected Living Cost Indexes (ABS 2016a) and the Consumer Price Index (CPI), (ABS 2016d and ABS 2016e)). 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 makeup of the basket of goods and services must 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, as explained in Explanatory Note 1. While the Selected Living Cost Indexes do have some limitations in terms of tracking cost of living changes (see Explanatory Note 2), 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). CPI figures therefore cannot tell us about trends in price movement for states and territories overall, nor for regional areas.

While this report does not go into great depth on a specific expenditure area, in the second part there is a focus on the cost of both fuel and food in remote areas of the NT, which are significantly higher than the costs of fuel and food in the major centres.

The Northern Territory is a vast expanse. There are significant differences between Darwin, Alice Springs, other centres and remote communities in terms of access to services and facilities. There are also differences 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 weather conditions can have on access to roads 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 Territorians.

Part A: Cost of Living Changes in relation to Price and Income

The Selected Living Cost Index (SLCI) – One measure of Cost of Living Changes

The ABS Selected Living Cost Index (SLCI) breaks down expenditure into a number of different household types (ABS 2016b). In this report the focus is primarily on the “Age Pensioner” and “Other government transfer recipient” figures as these are likely to represent the more disadvantaged households. This report also includes figures for Employees – to serve as a comparison with these other groups.

Cost of Living changes over the last year Dec Qtr 2014 – Dec Qtr 2015

Over the last year, the cost of living for both age pensioners (1.2%) and other government transfer recipients (1.4%) as measured by the SLCI (ABS 2016a), increased at a rate lower than the national CPI increase (1.7%) (ABS 2016d). The generic CPI for Darwin, however, rose by only 0.5%, over this same period (ABS 2016d). This means that the SLCI for age pensioners and other government transfer recipients has risen at around three times the rate of the increase in the generic CPI in Darwin.

It is notable also that the living costs of employees (1.1%) rose less steeply over the past year, than for Other Welfare Recipients, and under the rate of the generic national CPI rise (ABS 2016a).

Table 1: Increases in Living Costs – comparing the SLCI (Selected Groups) vs CPI National Figures for the past year (December 2014 – December 2015)

| | % Change over past year |
|--|-------------------------|
| SLCI – Age Pensioner | 1.2% |
| SLCI – Other Government Transfer Recipient | 1.4% |
| SLCI - Employee | 1.1% |
| CPI – All Groups Australia | 1.7% |

Source: SLCI Figures taken from ABS (2015a) and ABS (2015d) Data 4, 5, 6

Cost of Living changes in the December 2015 quarter

The living cost indexes for SLCI increased only marginally for Age Pensioners (0.2%) over the last quarter – but there was greater movement amongst other groups with a 0.6% increase for Other Welfare Recipients, and 0.5% for Employees. The SLCI increased by 0.7 for Self Funded retirees. In the same period, the generic CPI rose by 0.4 % nationally and increased by 0.3% in Darwin. (ABS 2016a); ABS 2016e)

Contributing Factors to the changes in the SLCI Figures

Some of the contributions to the SLCI figures are identified here.

Age Pensioner Households (+0.2 Increase)

Contributors to the rise in SLCI

- Recreation and culture (+1.4%) contributed to the rise, mainly driven by a rise in domestic holiday travel and accommodation due to the October school holiday period and the lead up to the peak holiday period (ABS 2016b).
- Alcohol and tobacco (+2.3%) mainly due to the rise in tobacco - due to flow on effects from the federal excise tax increase effective from 1 September 2015 (ABS 2016b).

Contributors to the offsetting movement

- Health (-1.8%) contributed the most significant offsetting movement this quarter, driven by a fall in pharmaceutical products mainly due to the cyclical effect of a greater proportion of consumers exceeding the Pharmaceutical Benefit Scheme (PBS) safety net. Age pensioner households have a higher expenditure on health than the CPI population, which fell this quarter.
- Transport (-1.7%) also partially offset the rises, largely driven by a fall in automotive fuel as falls in world oil prices continue to influence domestic fuel prices. (ABS 2016b).

The fall in health prices is significant, as age pensioner households have a relatively higher proportion of expenditure on health, when compared with the general population. However, it must be noted that the fall in prices is cyclical, with prices usually rising in the March and June quarters each year (ABS 2016b).

Other Government Transfer Recipients Households (+0.6% Increase)

Contributors to the rise in SLCI

- Recreation and culture (+1.1%) contributed to the rise in the SLCI, as per above.
- Alcohol and tobacco (4.9%) mainly due to the rise in tobacco, as per above(ABS 2016b)

Contributors to the offsetting movement

- Transport (-1.9%) contributed the most significant offsetting movement this quarter, driven by a fall in automotive fuel as falls in world oil prices continue to influence domestic fuel prices. (ABS 2016b).

Employee Households (+0.5% Increase)

Contributors to the rise in SLCI

- Recreation and culture (+1.6%) contributed to the rise in the SLCI as per above (ABS 2016b).
- Alcohol and tobacco (+2.5%) mainly due to the rise in tobacco, as per above (ABS 2016b).

Contributors to the offsetting movement

- Transport (-1.5%) contributed the most significant offsetting movement this quarter, as per above. (ABS 2016b).

Income Support Recipients: Cost of Living changes over the past year

Welfare recipients have very low incomes, making it very hard for a significant amount of the weekly benefit to be saved, at least for those who are not able to earn additional income to supplement their income support payments with. For someone on the base level of benefits, and assuming they spend all their income, NTCOSS has calculated the dollar value of changes in cost of living over the past year, as shown in Table 2.

Table 2: Cost of Living Change for Income Support Recipients Sept Qtr 2014 – Sept Qtr 2015, Australia

| | Base Rate* Benefit per week (31 Dec 2014) | Base Rate* Benefit per week (31 Dec 2015) | Selected Living Cost Index change % | Amount per week increase in 'cost of living' \$ | Amount per week increase in base payment rates \$ |
|---|--|--|--|---|--|
| Aged Pensioner | \$427.15 | \$433.50 | 1.2% | \$5.13 | \$6.35 |
| Newstart single – no children | \$262.20 | \$266.10 | 1.2% | \$3.67 | \$3.90 |
| Newstart single – 2 children & FTB A & B | \$542.72 | \$551.26 | 1.2% | \$7.60 | \$8.54 |

Sources: Centrelink 2014 & Centrelink 2015; ABS 2016a.

See Explanatory Note 3 for an explanation of how figures are derived

**For simplicity, some supplements & Rent Assistance were not included in Table 2, as these can vary from person to person.*

Table 2 highlight the situation for people whose only source of income is a base-rate government benefit, and who spend all of their income, as their budget doesn't allow any leftover to save.

- For **pensioners**, the cost of living over the last year increased by \$5.13 per week, which again was more than covered by the increase in the base rate of the pension of \$6.35 per week over the same period.
- For **single people on Newstart**, the cost of living rose by \$ 3.67per week, while the base Newstart rate rose by \$3.90 per week, also covering the increase in living costs, for the third quarter in a row.
- For **sole parents with 2 children**, receiving Newstart and FTB (A & B), the cost of living rose by \$7.60 per week, and this cost of living increase was also covered with their payment rate rising by \$8.54 per week, also for the third quarter in a row. (Centrelink 2014 and Centrelink 2015).

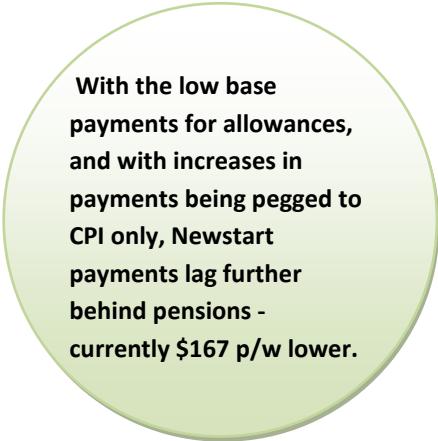
What these figures indicate is that for households who rely on income support payments, the payments are just managing to keep up with the rising costs of living. This does represent some good news, and points to a slight easing of cost of living pressures.

For people on Newstart and Youth Allowance, however, it must be noted that these recipients are starting from an already inadequate base rate, 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 constantly about what living expenses can met.

Living on \$262.20 per week 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 approximately \$400 under the minimum wage (\$656.90 per week, (Fair Work Commission 2016). This means if there is an unexpected medical bill, or a need to replace a broken mobile phone – 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 an unexpected bill.

These figures also underline the importance of the current method of indexation used for adjusting pension rates every six months, where payments are pegged to Male Total Average Weekly Earnings and prices (CPI) – to ensure that pensioners do not drop behind society averages (See Explanatory Note 4).

The inadequate indexing system for Newstart allowance and other base level benefit allowances, which are pegged to CPI only, means that increases in allowances cannot always keep up with the cost of living – even though they are doing so at the moment.



With the low base payments for allowances, and with increases in payments being pegged to CPI only, Newstart payments lag further behind pensions - currently \$167 p/w lower.



It is critical, therefore, that the Federal Government commit to increase Newstart and other base level payments by \$50 per week.

CPI changes over the past year in Darwin and nationally

The generic CPI figure covers a large number of goods and services (12 major categories, with over 100 individual goods and services part of the CPI basket (ABS 2016d), and there can be wide variations in the CPI for specific goods and services, and this can have implications for particular population groups.

These overall figures can be separated into their component parts, in order to allow for the tracking of changes in the price of key basic goods and services in Darwin and nationally.

Table 2 below compares price changes in a number of basic necessities in Darwin with the price changes at the national level. These figures are shown, covering the last quarter (September-December 2015) as well as for the last year (ending December 2015).

CPI figures are calculated for capital cities only, and not done at the state/territory level. This means therefore that local variations in prices that may have occurred, however, are not reflected in these figures.

During the past year there were upward trends in some areas and downward trends in other key areas of expenditure, reflected both in Darwin figures and at the national level.

Transport costs, for example, *decreased* in Darwin (*down 2.6%*) and across the country (*down 1.4%*), driven primarily due to a very significant drop in the price of fuel, as a result of a drop in overseas oil prices. There was a 17.2% decrease in the CPI for fuel in Darwin and an 8.7% *decrease* in the CPI for fuel nationally.

The price of Utilities *increased* in Darwin by 4.9%, driven largely by a 5.1% increase in water and sewerage and a 5.0% increase in electricity. Health costs in Darwin (5.4%) rose significantly, ten times ten times more than the Darwin CPI (0.4%), largely due to the 6.5% increase in medical, dental and hospital services.

There were similar increases nationally with Health *increasing by 5.3%* (with medical, dental and hospital services *increasing by 6.1%*). Nationally there was also a significant increase in the cost of New Dwellings of 3.3%, while rents *rose by 1.2%* nationally but in Darwin the cost of new dwellings rose by only 0.1% and rents actually *decreased by 2.7% over the past year (ABS 2016d)*.

Table 2 compares price changes in a number of basic necessities in Darwin with the changes nationally – over the past year.

The CPI for Darwin saw a 0.3% increase in this past quarter (ABS 2016d), down from 0.4% in the September 2015 quarter. The CPI for Darwin for the past year at 0.5% remains relatively low, when compared with the national rise of 1.7%.

Table 3 shows, however, not all areas of household expenditure have seen a low rate of price increases, which means that an overall slowing in the rate at which CPI increases, does not necessarily reflect the change in CPI for expenditure items that are more common for people on low incomes. In addition, price decreases in one part of the NT may not be enjoyed by all households across the Territory.

Table 3: Cost of Living Changes by Expenditure Type Darwin vs National for the Dec Qtr 2015: Past Year

| Cost of Living Area | Darwin CPI | | National CPI | |
|---|---|--|--|--|
| | Past Qtr Dec 2015 Qtr change % | Past Year Dec 2014 – Dec 2015 change % | Past Qtr Dec 2015 Qtr change % | Past Year Dec 2014- Dec 2015 change % |
| Food (& non-alcoholic beverages) | 1.0% | 0.0% | 0.3% | 0.4% |
| Clothing and footwear | 1.8% | -0.2% | 1.6% | 0.5% |
| Housing (includes utilities) | -0.4% | 0.4% | 0.1% | 2.2% |
| • Rent | -1.3% | -2.7% | 0.2% | 1.2% |
| • New Dwelling Purchase – owner/occupiers | 0.1% | 0.7% | 0.1% | 3.3% |
| • Utilities | 0.1% | 4.9% | -0.3 % | 0.7% |
| - Water & Sewerage | 0.0% | 5.1% | 0.0% | 2.3% |
| - Electricity | 0.0% | 5.0% | 0.0% | -0.1% |
| - Gas & Other Household Fuels | 1.0% | -4.1% | -1.2% | 1.0% |
| Health | 0.1% | 5.4% | -0.4% | 5.3% |
| • Medical, dental and hospital services | 0.2% | 6.5% | 0.0% | 6.1% |
| Insurance and Financial Services | 0.4% | 1.6% | 0.8% | 1.8% |
| • Insurance | 1.5% | 2.9% | 2.1% | 3.8% |
| Transport | -0.5% | -2.6% | -1.4% | -1.4% |
| • Automotive fuel | -2.7% | -17.2% | -5.7% | -8.7% |
| CPI All Groups | 0.3% | 0.5% | 0.4% | 1.7% |

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

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 (NT Government 2014a and NT Government 2015a). The Territory economy is estimated to grow by 2.5 per cent in 2015-16 (behind Queensland 2.9%, with the national figure 2.2%), and is forecasted to grow by an average of 3.3 per cent per annum over the five years to 2019-20.

The five year projections means the NT has the second highest economic growth forecasts of all jurisdictions behind Queensland (3.6 per cent per annum), but it is under the forecasts of a year ago for the NT (where a growth rate of 4.2% was predicted). The national economy is predicted grow by 2.6 % per annum over the same period, down from the 2.8% predicted a year earlier (NT Government 2015a).

DAE expects Territory employment to increase by 1.4 per cent in 2015-16 (Chart 4), which is an increase on the 1.1% expected a year ago, and at the national level the employment rate is expected to grow by 2.1% (NT Government 2015a).

Part B Regional Differences in Cost of Living Pressures

Fuel Prices – A Comparison between Major Centres and Remote Areas

While the CPI figures only cover capital cities, further fuel price information for the NT is maintained and published by the NT Government (2015b) in monthly economic briefs¹, although “Caution is advised when using monthly data for the Territory, which is often derived from small samples and highly volatile” (NT Government 2015b). An examination of the patterns of prices between regions, and the percentage changes in price, from this data, however, does provide an indication of price movements across the NT.

The economic brief fuel price data shows the decrease in the price of unleaded petrol over the past year fell relatively evenly across Darwin (-15.4%) Katherine (-14.9%), and Alice Springs (-16.3%), while the price in Tennant Creek decreased by 12.87%, which was about one quarter slower than the rate of decrease in Alice Springs (NT Government 2015b). The Darwin figure of a 15.4% decrease is roughly consistent with the CPI for fuel for Darwin for the past year (- 17.2%, ABS 2016d), with the fuel price drop in Katherine and Alice Springs showing that the price decrease seen in Darwin, has been shared in other areas.

The NT Government (2015b) figures also show that the rate of decrease for the NT as whole was 15.2% in this period, compared with a national drop of 3.5%.

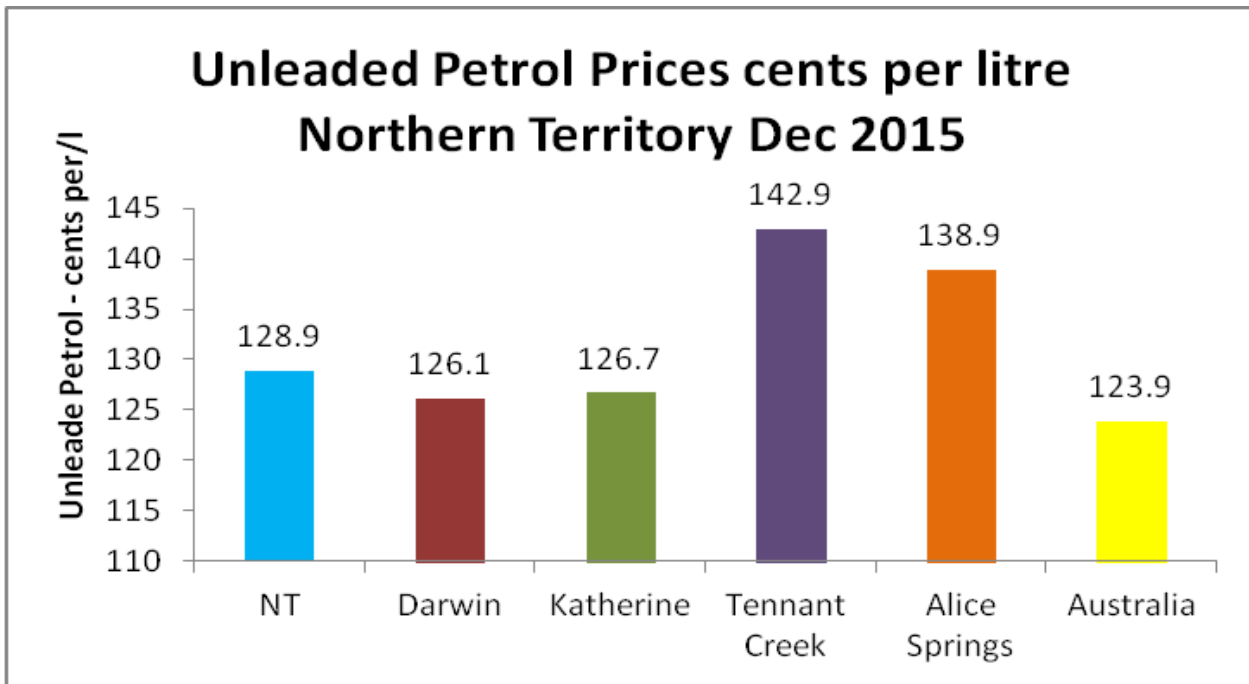
While the price decreases across the Territory are clearly welcome, some regions enjoyed greater rates of decrease than others.

The average price of unleaded fuel in the NT fell from 173 to 152.3 cpl over the past year, while nationally the price went down from 152.1 to 128.4 cpl (NTG (2014b)). The price in Darwin dropped dramatically (by 11.3 cpl) in October, particularly from 20-25 October (Australian Institute of Petroleum 2015), after the NT Government’s Fuel Summit (7 October), with further decreases following in November and December as a result of the fall in global oil prices (despite the introduction of the fuel excise nationally in December 2014). Alice Springs and Tennant Creek did not experience a significant drop in price until December 2014, with the October Fuel Summit having no noticeable impact on prices in these two towns (with prices in both towns rising slightly during October 2014). (NTG (2014b).

Due to the very significant price drop in unleaded petrol in Darwin over recent years, Darwin is now the fourth cheapest city for unleaded petrol prices in the country as of March 2016 (Australian Institute of Petroleum 2016). This compares with it having been the most expensive city, just over a year ago, as at December 2014. While not shown in the figures below, diesel prices also decreased overall during the past year, with the NT as a whole decreasing by 9.7%, and Darwin prices decreasing by 11.2% - both under the national decrease of 11.9% (NT Government 2016). Diesel Figures for other centres in the NT are not available through the NT Government’s Economic Brief data.

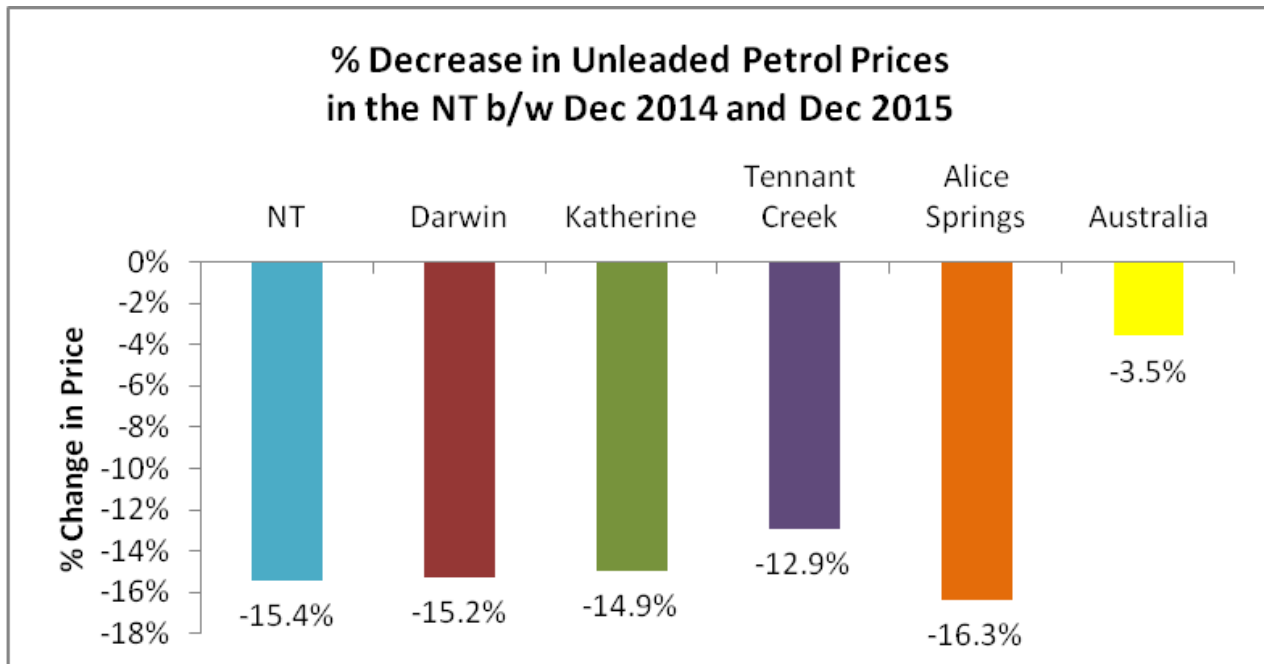
¹ The NTG sources its data from: Australian Institute of Petroleum, Commonwealth Bank of Australia, Reserve Bank of Australia

Figure 1: Unleaded Petrol Prices in the NT, Dec 2015



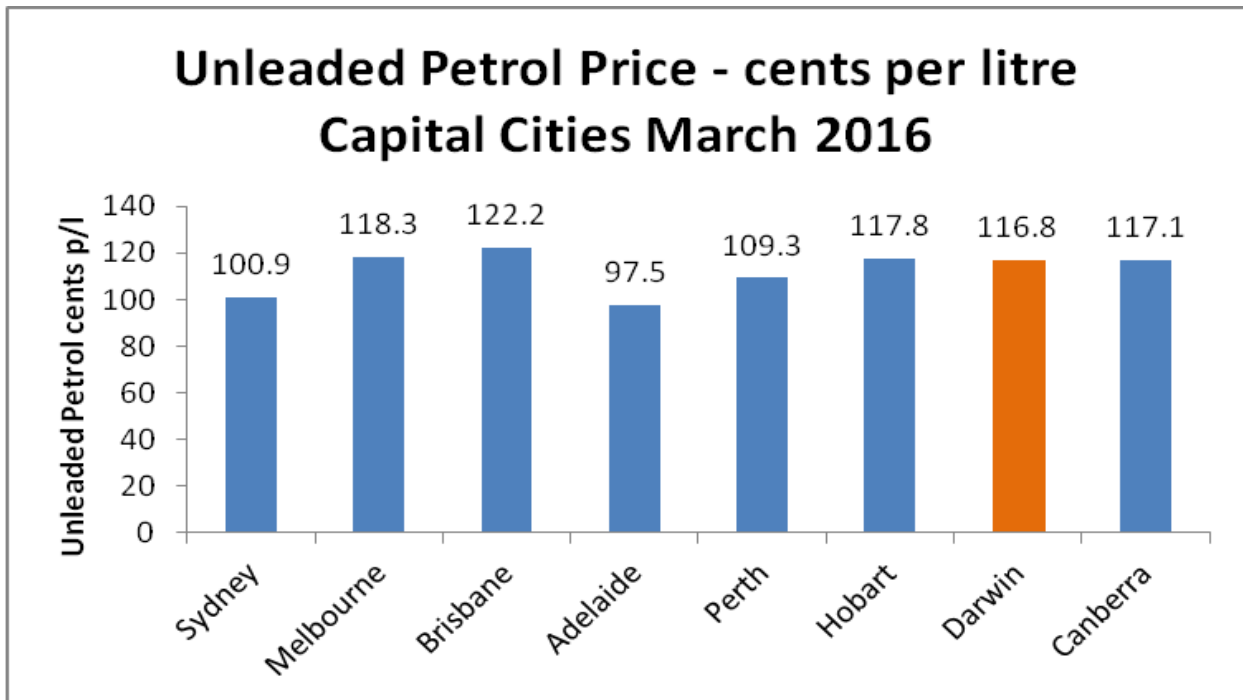
Source: Figures Derived from NT Government 2016, p.2.
 Figures relate to the week ending 20 Dec 2015.

Figure 2 Percentage Decrease in Unleaded Petrol Prices in the NT, over the past year



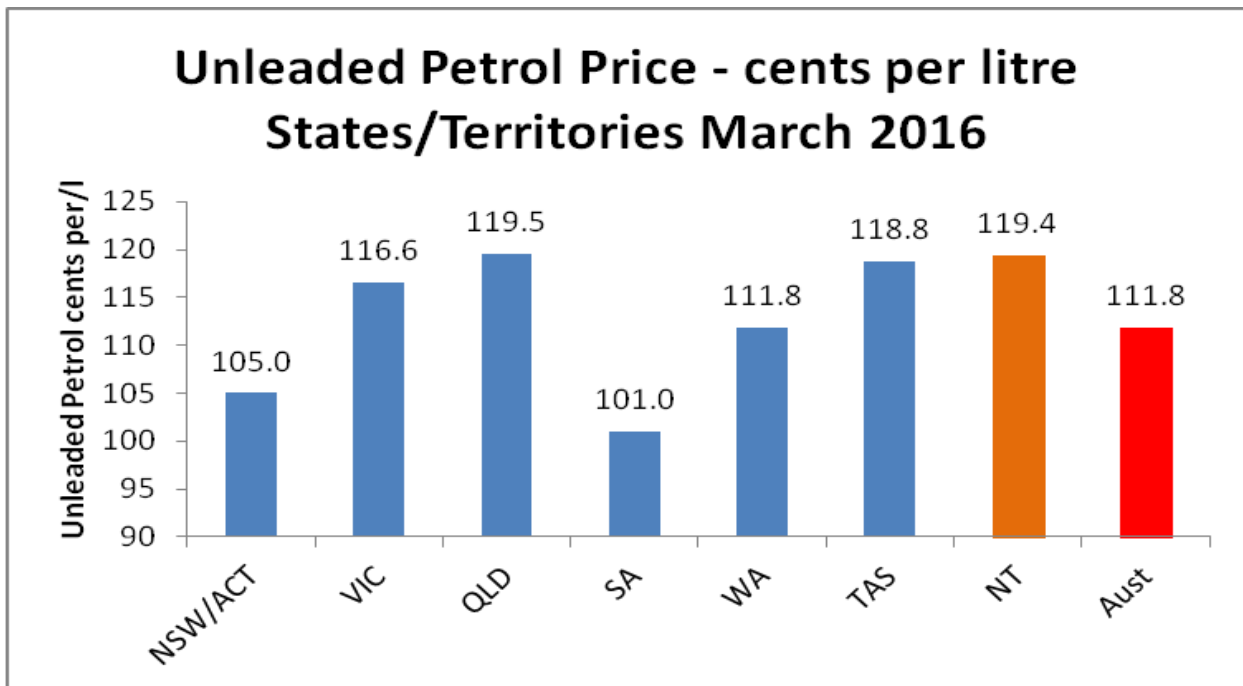
Source: Figures Derived from NT Government 2015b, p.2, and NT Government 2016, p.2.
 Figures relate to the week ending 21 Dec 2014 & 20 Dec 2015.

Figure 3 Unleaded Petrol Price Capital Cities, March 2016



Source: Figures Derived from Australian Institute of Petroleum 2016.

Figure 4 Unleaded Petrol States/Territories, March 2016



Source: Figures Derived from Australian Institute of Petroleum 2016.

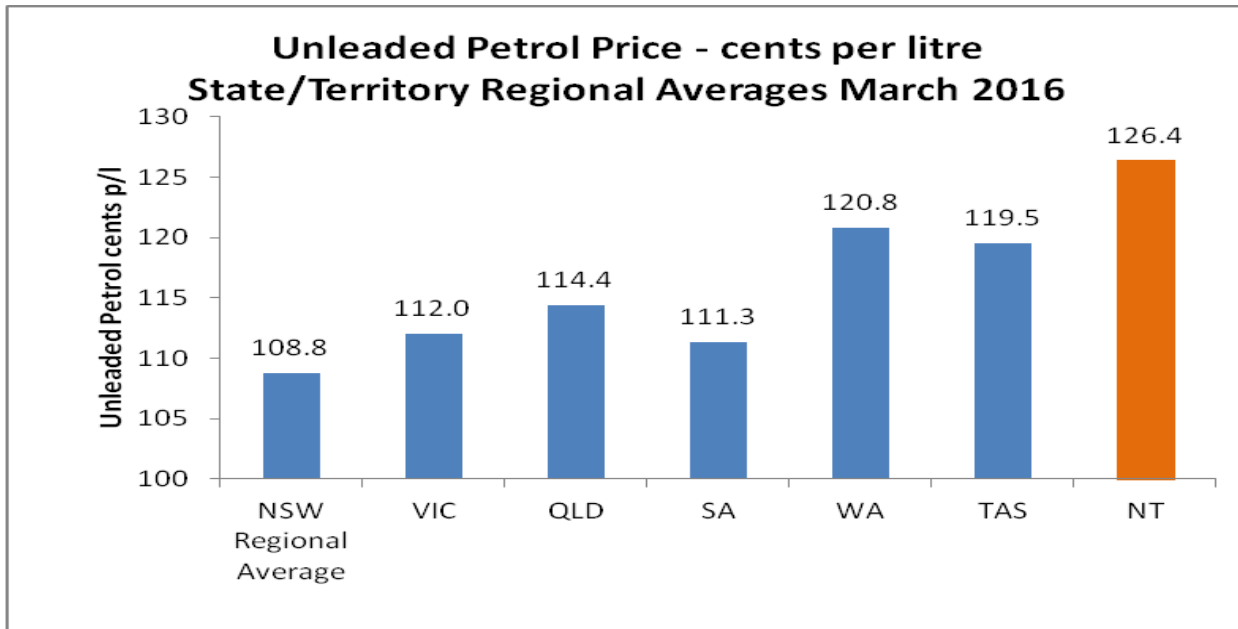
Note: ACT figures combined with NSW.

NOTE: "The National Average is calculated as the weighted average of each State/Territory's metropolitan And non-metropolitan retail petrol prices, with the weights based on the number of vehicles using unleaded petrol registered in each of these areas" (Australian Institute of Petroleum 2016)

Petrol Prices in Regional and More Remote Areas of the NT

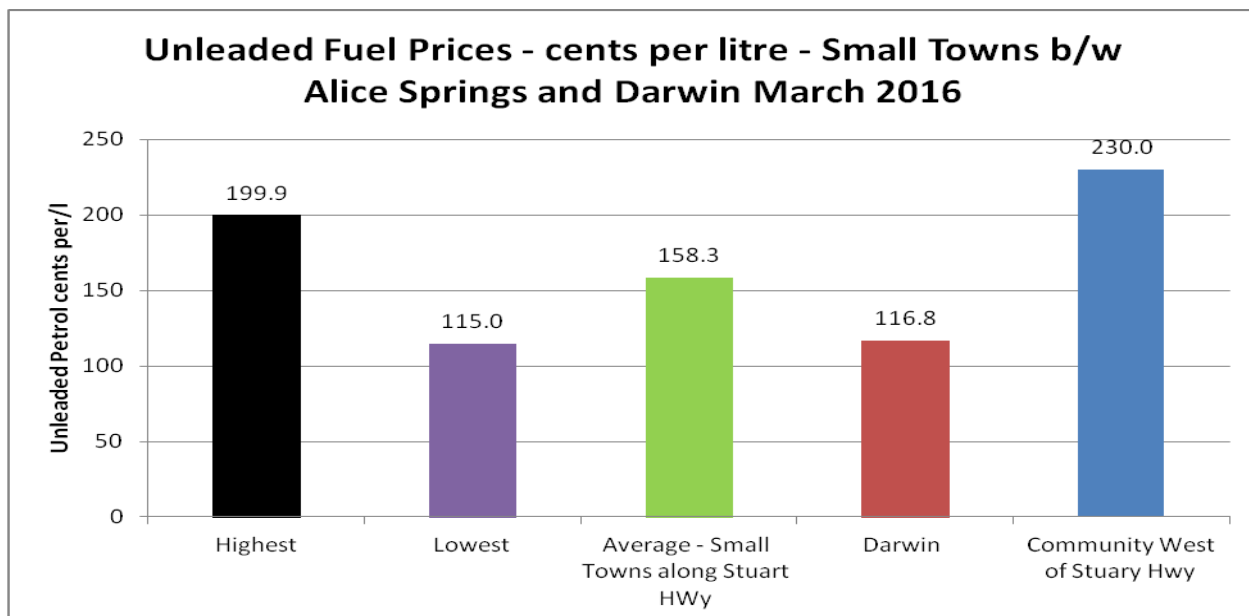
It is also critical to consider fuel prices outside of the major centres. Currently there is no publicly available data on specific fuel prices outside of the major centres in the NT, but it is well accepted that prices are much higher in the more remote areas. Data compiled by NTCOSS (2016) captured fuel prices in March 2016 for towns and smaller centres along the Stuart Highway, between Alice Springs and Darwin; as well as a remote community west of the Stuart Highway.

Figure 5 Unleaded Petrol Price Regional Averages State & Territory Regional Averages March 2016



Source: Figures Derived from Australian Institute of Petroleum 2016. Note: ACT figures combined with NSW.

Figure 6 Unleaded Fuel Price – A Selection of Small Towns in the NT vs Darwin, March 2016



Source: Figures Derived from NTCOSS 2016; apart from the Darwin figure from the Australian Institute of Petroleum, 2016.

Note: "The Regional Average price is calculated as the weighted average of the retail petrol prices for the non-metropolitan regions in each State/Territory, where the weights are based on the number of vehicles using unleaded petrol. (Australian Institute of Petroleum 2016)

Figure 5 shows that **the NT has the second highest state/territory average**, at \$119.4 per litre, only \$0.10 behind Queensland (\$119.5) and **the highest regional average** of all states and Territories (\$126.40 per litre). These figures reflect the higher prices outside of Darwin, but it is clear that there are major differences in price in different parts of the NT, which all contribute to the average.

On the surface 126.4 cents per litre seems an acceptable average price, when compared with the overall NT average of 119.4 cents per litre. However it is important to recognise that the 126.4 cents per litre figure is an average, and there is a great deal of variation in price which contributes to this average.

Figure 6 shows the extraordinarily high fuel prices in some parts of the NT, with \$199.9 being the highest price along the Stuart Highway – which is 71% higher than the Darwin average for the same week, and 67 % higher than the NT average. As a comparison with the east coast of Australia, this price is nearly double what Sydney motorists paid in the same week (\$100.9 see Figure 3 above).

For people forced to pay such exorbitant prices for petrol, this will have significant implications in terms of cost of living pressures, diverting money away other essential items such as food and clothing. In addition, the high prices will at times be a barrier to having accessible transport to attend medical appointments.

NTCOSS believes that there needs to be an exploration of the price disparity between petrol prices in some remote areas and larger regional centres

Food Prices – a Comparison between Major Centres and Remote Areas

Another example of a disparity in the spread of benefits where there has been a decrease in CPI in Darwin is in relation to food prices. Food is clearly an essential item and expenditure on food makes up a significant proportion of weekly household budgets, especially for lower income households. The CPI for food in Darwin did not change (0.0%) over the course of the 2015 year, and this figure was under the generic Darwin CPI rate over the past year of 0.5% (ABS 2016d, see also Table 1).

The lack of rise in the CPI for food in Darwin is good news for residents of Darwin, however the change in price of food in Darwin is not indicative of changes in food prices across the rest of the Northern Territory. Each year, since 2000, the Northern Territory Government has released a Market Basket Survey Report which uses a different basket of goods to that used with the CPI, to examine prices across major district areas (e.g. Darwin, Alice Springs), and remote areas in the NT. The survey covers food prices in both supermarkets and corner stores in major district centres, and remote stores in remote Aboriginal communities.

While at the time of writing of this report, the 2015 NT Government Market Basket Survey (MBS) Report had not yet been released, data from previous Market Basket Survey Reports that the average cost of the food basket in district centre supermarkets has increased at a much lower rate than the price of food in remote stores over a sustained period.

The most recent Market Basket Survey Report available, the 2014 NT Government Market Basket Survey (NT Government 2014b) surveyed seventy-nine rural and remote stores– as well as a supermarket and corner store in the major town/city in each of the district centres, to allow for a comparison of prices. In

the survey, a standard food basket is priced in each of the stores, which is sufficient to provide foods for a hypothetical family of 6² for a fortnight (NT Gov 2014, p.3).

The 2013 and 2014 MBS Reports have been examined in previous NTCOSS Cost of Living Reports (No.6 Dec 2014, No.7 Feb 2015). NTCOSS' analysis of figures showed that in 2014 the average cost of the food basket in district centre supermarkets increased by approx 0.3% when compared with 2013 prices (which was well below the 2.4% increase in CPI for food in Darwin over the same period). However in remote stores the average cost increased by 5.4% in 2014, when compared to 2013 prices³ (figures adapted from NT Government 2014b, p.17)

In terms of a longer term comparison, in 2007, the food basket cost 18% more in remote stores when compared with a Darwin supermarket. In 2014, however, the food basket cost 53% more in remote stores, when compared with a Darwin supermarket. So sadly, it appears things have been going backwards when it comes to bringing the cost of food down in remote areas over a long period of time (NT Government 2014b, p.18).

This means that while households in larger centres are enjoying the benefits of a slowing down of the rate of increase in the generic CPI, remote households still have to pay disproportionately more for their food when shopping locally. In 2014 a family shopping in a remote store would require 34% of their family income to purchase the food basket – and prices are rising at a higher rate than in major centres. Remote households are paying 47.4% more for the same goods when compared with a family shopping at a Darwin supermarket, while in 2013, the difference was 41.4%, based on figures from the 2014 NT Market Basket Survey (NT Government 2014b, p. 17).

The following table comes from the 2014 NT Market Basket Survey (NT Government 2014b, p.10).

Table 4 (Adapted from Table 9, 2014 MBS): Cost of food basket by district, supermarkets and corner stores, 2014*

| | Alice Springs | Barkly | Darwin | East Arnhem | Katherine | NT Average |
|-------------------|---------------|--------|--------|-------------|-----------|------------|
| Remote Store | \$833 | \$838 | \$795 | \$866 | \$814 | \$824 |
| Corner Store | \$739 | - | \$630 | \$791 | \$746 | \$726 |
| Supermarket | \$521 | \$613 | \$538 | \$548 | \$571 | \$558 |
| % difference from | | | | | | |
| Corner Store | 13% | - | 26% | 9% | 9% | 13% |
| Supermarket | 60% | 37% | 48% | 58% | 43% | 48% |

Taken from MBS 2014, p.9 *Due to rounding of numbers the sum of food groups does not equal the total basket cost in some instances in Table 9.

Key Findings

- The average cost of the food basket in remote stores was 48% higher than the average of NT district centre supermarkets, 53% higher than the average of Darwin district centre supermarkets and 13% higher than the average of NT district centre corner stores (see Table 4 above).
- “The 53% difference in cost between remote stores and the Darwin supermarket was the greatest of all years”

² The income for the family is based on the premise that the three adult household members are in receipt of income support payments (Explanatory Notes 7).

³ Calculations based on figures in MBS 2014, P.17

- The cost of the food basket, on average, in remote stores was \$266 higher than the supermarket in the corresponding district centre.
- The cost of the food basket in remote store was, on average \$96 higher than the corner store in the corresponding district centre
- The most expensive district was East Arnhem (\$866) and the least expensive was Darwin (\$795) (NT Government 2014b, p.9, 25)

Over the time period that the MBS has been in place, households in remote areas have had to spend a very large proportion of their household income on food. In the 2014 MBS, 34% of household income was required to purchase the food basket in remote stores. There has not been much variation in the proportion of income required to purchase the food basket in remote stores between 2000 and 2014, with the percentage moving between 34% and 38% during the time period of the survey (NT Government 2014b, p.25). By comparison the cost of the same basket of goods in a Darwin supermarket required only 22% as a proportion of family income (NT Government 2014b, p.3).

Between 2000 and 2014 the average cost of the food basket in remote stores increased by 61% (\$511 to \$824), while in district centre supermarkets it was 46% (\$383 to \$558) over the same period. (NT Government 2014b, p. 17)

The MBS data, raises a number of questions about equity and disparity of prices. The price of food in remote areas, relative to major centres, must be reduced if we are ever to achieve a fair and just Northern Territory, and requires addressing as a matter of extreme urgency. If it is possible to have a Government led solution to reduce the price of petrol across major centres in the NT, then similar resolve must be shown to address disparities in relation to food prices.

There are other factors which impinge on the health and well being of remote Territorians in relation to food – which include the accessibility and availability of healthy food options. Despite the concern around price of food in remote areas, some positive developments have been emerging over the fifteen year period of the MBS Surveys:

- Overall the number of varieties of fresh fruit and vegetables increased in remote stores between 2000 and 2014 (NT Government 2014b, p.15).
- 2014 saw the highest average number (12) of varieties of fresh fruit available (NT Government 2014b, p.15).
- Between 2000 and 2014, there was a general increase in the “proportion of fresh fruit and vegetables rated to be of ‘good’ quality (NT Government 2014b, p.15).
- Between 2011 and 2014 (as well as in 2009), the average number of varieties of fresh vegetables available (17) was highest (NT Government 2014b, p.15).
- 87% of fresh fruits and 88% of fresh vegetables were rated to be of ‘good’ quality across the fresh fruit and vegetables surveyed in 2014, an improvement from the previous year (where the figures were 81%, and 80% respectively) (NT Government 2014b, p.3; and NT Government 2013, p.3).
- “On average 95% of items in the food basket were available, or usually available, in the remote stores surveyed” (NT Government 2014b, p.3).
- The increase in costs of some ‘unhealthy’ items is a positive and significant development.

- In remote stores, the price of [selected] “‘healthier’ meal items (baked beans and apple) increased less than the cost of the food basket from 2000-2014”, while at the same time there has been a greater increase in the cost of some ‘unhealthy’ products, e.g. the pie and coke both “increased more than the food basket price from 2000 to 2014” (NT Government, 2014b, p.21).
- Cigarettes and tobacco had the greatest percentage cost increase from 2000 to 2014 of 197%)⁴. (NT Government 2014b, p.27).
- 62% of people employed in remote community stores were Aboriginal or Torres Strait Islander people (NT Government 2014b, p.3).

While households in larger centres are enjoying the benefits of a slowing down of the rate of increase in the CPI, remote households are still having to pay disproportionately more for their food.

NTCOSS reiterates its call for the NT Government to establish a Food Summit or Inquiry to address the critical issue of food prices in remote areas, similar to the Fuel Summit led by the NT Government in October 2013, which was effective in helping to bring fuel prices down.

There have also been a number of other positive initiatives, which are addressing food price and availability issues highlighted in the NTCOSS 2014 Cost of Living Report No.6 (Food):

- Arnhem Land Progress Association (ALPA) Stores. ALPA Stores (11 in the NT) have fruit and vegetable prices similar to Darwin supermarkets due to their 100% freight subsidy on fresh fruit and vegetables. On top of this ALPA now also “subsidise all freight on frozen, tinned and dried vegetables”, again making prices in these stores for these products more comparable to Darwin prices. (Arnhem Land Progress Association 2016).
- Menzies School of Health Research: Stores Healthy Options Project in Remote Indigenous Communities (SHOP@RIC), a recent project (results as yet unpublished) which has been testing “the impact and cost effectiveness of a store-based price reduction intervention (with or without an in-store nutrition education intervention) in
 - promoting the purchase of fruit, vegetables and low joule soft drinks/water; and
 - reducing the purchase of sweetened soft drinks among residents in remote Aboriginal communities in the NT”.
 In the project, a price discount of 20% was applied to “fresh and frozen fruit and vegetables, low joule soft drinks and water” (Menzies School of Health Research 2016).
- The practice of Outback Stores, who oversee 23 stores in remote communities in the NT, in employing “effective pricing strategies favouring the affordability of healthy food lines”. (p.3). In addition they have as an objective of their Nutrition Strategy to “Develop and implement in store promotion strategies that support consumer knowledge about nutrition and health by biasing the stocking, pricing, marketing and promotion of healthy foods, while discouraging the promotion of, limiting the range and sale of nutrient poor food and drinks”; and to “Develop and implement policies that create supportive environments for health outcomes, such as promoting only nutritious foods to children” (Outback Stores, 2014, p.4).

⁴ A contributing factor to cigarettes and tobacco price was the increase in excise (tax) on tobacco products b/w 2009 and 2010 (MBS, 2014, p.25)

Conclusion

The Northern Territory is a vast expanse, with significant differences between regions, and in particular between remote areas and the larger urban centres.

Reductions in price in Darwin and the major regional centres of the NT do not necessarily translate into price reductions for all households across the Territory, in particular households in remote Aboriginal communities. The price of food and fuel for households in remote communities continues to put major pressure on household budgets – which has a direct impact on health and wellbeing. Addressing the price disparities is critical to closing the gap on Indigenous disadvantage.

A range of responses are therefore required to address these issues as outlined in the recommendations below.

Recommendations

NTCOSS calls on the NT Government to:

1. Investigate the price disparity between petrol prices in remote areas and larger regional centres
2. Commence a process for the development of a forum for addressing remote 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.
3. Address transport issues⁵ 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.⁶
4. Work with the Federal Government in relation to increasing Newstart Payments by \$50 per week.

⁵ Refer also to the Recommendations in the NTCOSS (2014) Cost of Living Update, No.3, April 2014 (Transport)

⁶ For example, the Tennant Creek Transport service assists in transporting community members to the town supermarket, which helps reduce reliance on smaller fast food outlets or petrol stations for access to food.

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, (2014b)).

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 (2013)

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 and 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 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)).

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 were \$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 the Other Government Transfer recipients it is and 2.57 (ABS, 2014b) 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).

It is inevitable that any summary measure will have limitations, and as noted in the main text, the Selected Living Cost Indexes provide a robust statistical base, a long time series, and quarterly tracking of changes in the cost of living which is somewhat sensitive to low income earners. (Adapted from 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 Table 2

These figures reflect payment levels for a single Aged Pensioner; a single Newstart recipient with no children; and a single Newstart recipient with two children (aged 10 and 14), 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)).

Weekly Payment Rates at 31 December 2014

| | Base Rate | Pension Supp | Energy Supp* | FTB A child u13 | FTB A child 13-15 | FTB B | Pharmac Benefit | TOTAL PAYMENT |
|--------------------------------|-----------|--------------|--------------|-----------------|-------------------|---------|-----------------|---------------|
| Aged Pension - single | \$388.35 | \$31.75 | \$7.05 | | | | | \$427.15 |
| Newstart – single, no children | \$257.80 | | \$4.40 | | | | | \$262.20 |
| Newstart – single, 2 children | \$278.95 | | \$4.75 | \$88.41 | \$115.01 | \$52.50 | \$3.10 | \$542.72 |

Weekly Payment Rates at 31 December 2015*

| | Base Rate | Pension Supp | Energy Supp* | FTB A child u13 | FTB A child 13-15 | FTB B | Pharmac Benefit | TOTAL PAYMENT |
|--------------------------------|-----------|--------------|--------------|-----------------|-------------------|---------|-----------------|---------------|
| Aged Pension - single | \$388.35 | \$32.25 | \$7.05 | | | | | \$433.50 |
| Newstart – single, no children | \$261.70 | | \$4.40 | | | | | \$266.10 |
| Newstart – single, 2 children | \$283.15 | | \$4.75 | \$89.88 | \$116.97 | \$53.41 | \$3.10 | \$551.26 |

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

**In previous editions of the Cost of Living Report series, the Energy Supplement was referred to as the Household Assistance Package (HAS) payments which were made available to most pensioners and adult allowance recipients (incl. Newstart) from 20 March 2013 to address carbon tax price increases. From 20 September - 31 December 2015, these payments added \$7.05 a week to the single pension, \$4.40 to Newstart for singles and \$4.75 to those with dependent children, and are included in calculations used in Table 2. (Figures from Centrelink (2014), (2015)). These payments will now be referred to in this and subsequent reports as the ‘Energy Supplement’.*

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