

# 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: A ten year snapshot of price changes



Issue No.12 June 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.

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



## NTCOSS Cost of Living Report

Issue No. 12, June 2016

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## Introduction

This report examines changes in the cost of living over the last decade 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. 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.

In the first part of this report, there is a focus on the changes in the CPI for Darwin over the past decade, across a range of key expenditure areas using data from the Australian Bureau of Statistics (ABS). The report also draws from other sources to highlight cost pressures in regional and remote areas of the NT, as 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 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).

In the second part of the report there is an examination of changes in income support payment rates in terms of how well they are keeping pace with rising living costs. Comparisons are also made with the ABS' Selected Living Cost Indexes (ABS 2016a) and the 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 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 – All Capital Cities

The following table shows trends in the CPI for the past year, as well as for the past decade for all of the 11 CPI categories measured by the ABS quarterly and reveal which specific cost of living areas have driven the overall rise in the CPI since March 2006. The four major categories of expenditure areas that have increased substantially above the generic 'All groups' CPI are: Alcohol & Tobacco, Housing (including utilities), Health and Education – as per Table 1 below. In addition Utilities expenditure (a sub group of Housing) and Insurance (a sub group of Insurance and financial services) are also included given that they also had very substantial rises over the past ten years – and are prominent expenditure areas in their own right.

**Table 1 Cost of Living Changes, Expenditure Type Darwin vs National - Past Year and Past Ten Years**

Cost of Living Area	Darwin CPI		National CPI	
	Past Year Mar 2015 - Mar 2016 % change	Past Ten Years Mar 2006 – Mar 2016 % change	Past Year Mar 2015 - Mar 2016 % change	Past Ten Years Mar 2006 – Mar 2016 % change
Food & non-alcoholic beverages	0.1%	25.6%	0.0%	26.7%
Alcohol & tobacco	6.1%	<b>69.5%</b>	6.1%	<b>66.9%</b>
Clothing and footwear	-3.8%	-2.7%	-0.8%	-2.6%
Housing (includes utilities)	-1.6%	<b>55.3%</b>	1.7%	<b>50.7%</b>
• Utilities	-4.0%	<b>98.5%</b>	-0.4%	<b>102.1%</b>
Furnishings, household equipment & services	1.3%	14.3%	2.0%	9.5%
Health	3.7%	<b>50.8%</b>	4.6%	<b>57.2%</b>
Transport	-2.1%	14.7%	-0.5%	8.9%
Communications	-6.5%	-3.6%	-6.4%	-3.8%
Recreation & culture	-2.9%	2.3%	0.1%	5.8%
Education	3.5%	<b>53.1%</b>	3.3%	<b>63.7%</b>
Insurance and financial Services	2.3%	33.5%	2.3%	26.9%
• Insurance	4.5%	<b>72.9%</b>	5.2%	<b>62.7%</b>
CPI All Groups	-0.3%	30.4%	1.3%	28.2%

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

## Recent NT Government initiatives to address cost of living pressures

NTCOSS acknowledges that there have been a range of initiatives by the current Government designed to address cost of living pressures for Territorians. As discussed later in this report, efforts to bring down the price of fuel have been effective in Darwin and across the main regional centres, however, prices in remote areas remain concerningly high.

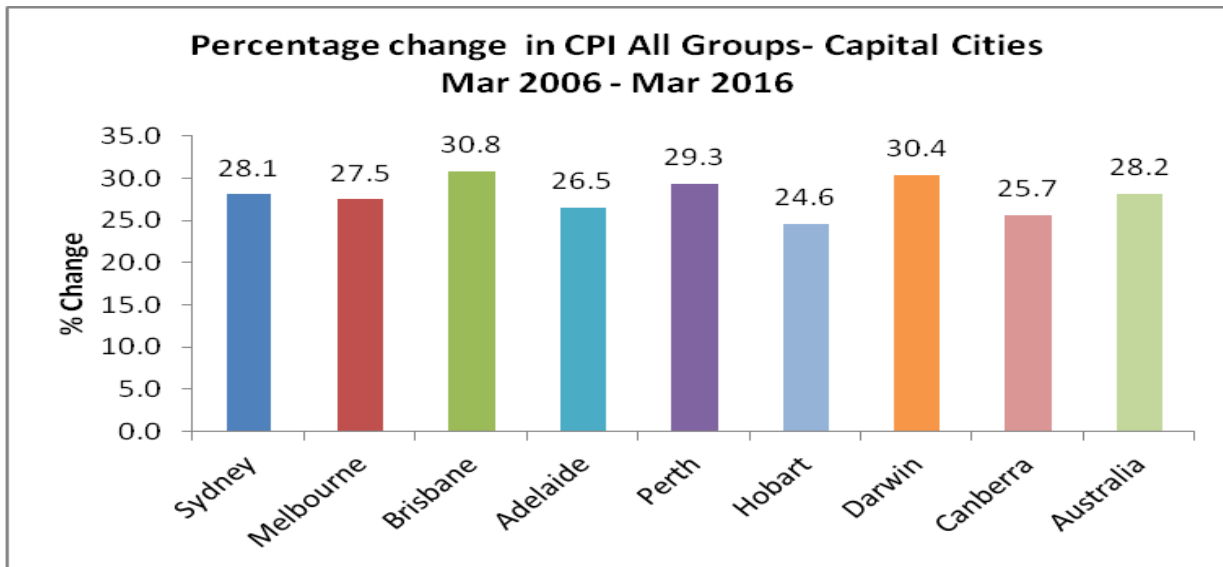
The NT Government has continued its commitment to back to school payments and sports vouchers and the continuation of the early childhood services subsidy (NT Government 2016e, p.4), which all make a difference for Territorian households with children. While electricity costs have risen steeply over the past decade, there has been some relief this year, with the 5% reduction in electricity bills effective from 1 January 2016 (NT Government 2016e, p.3), which will bring some relief for all Territory households

There have also been recent budget initiatives announces such as the first home owner stamp duty rebate for established homes for up to \$10,000 (NT Government 2016e, p.3), which will hopefully enable some lower income families to enter the housing market who otherwise would find it difficult, and the \$2000 Home renovation voucher scheme (NT Government 2016e, p.1). In addition the Government announced \$350M for new and upgraded remote housing (NT Government 2016g, p.7). The above initiatives are an important part of the policy approach to addressing cost of living pressures for Territorians, but there are many factors that require consideration.

The following sections in this report focus on a number of key areas in more depth. A number of the CPI categories in Table 1, as well as some of the CPI sub group categories, which particularly impact on low income households in the NT, are examined in further detail below.

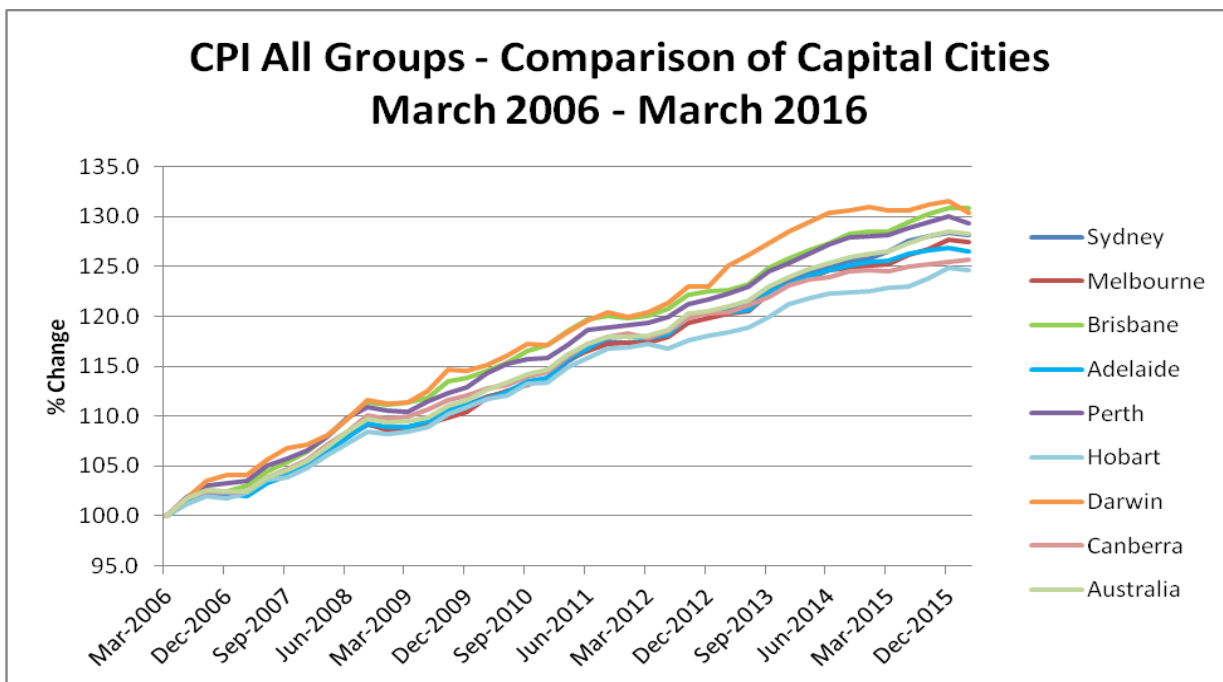
Figures 1 and 2 show how the CPI in Darwin has compared with the other states and territories over the past decade. Darwin has had the second highest rise in the generic CPI 'All groups', marginally under the rise in the generic CPI in Brisbane. As Figure 1 shows, for most of the past decade Darwin has maintained the highest generic CPI in the country, but the CPI has slowed, and even declined in several quarters, since September 2014.

**Figure 1 Percentage change in CPI 'All Groups' Capital Cities between March 2006 and March 2016**



Source: ABS 2016e Data 1-6

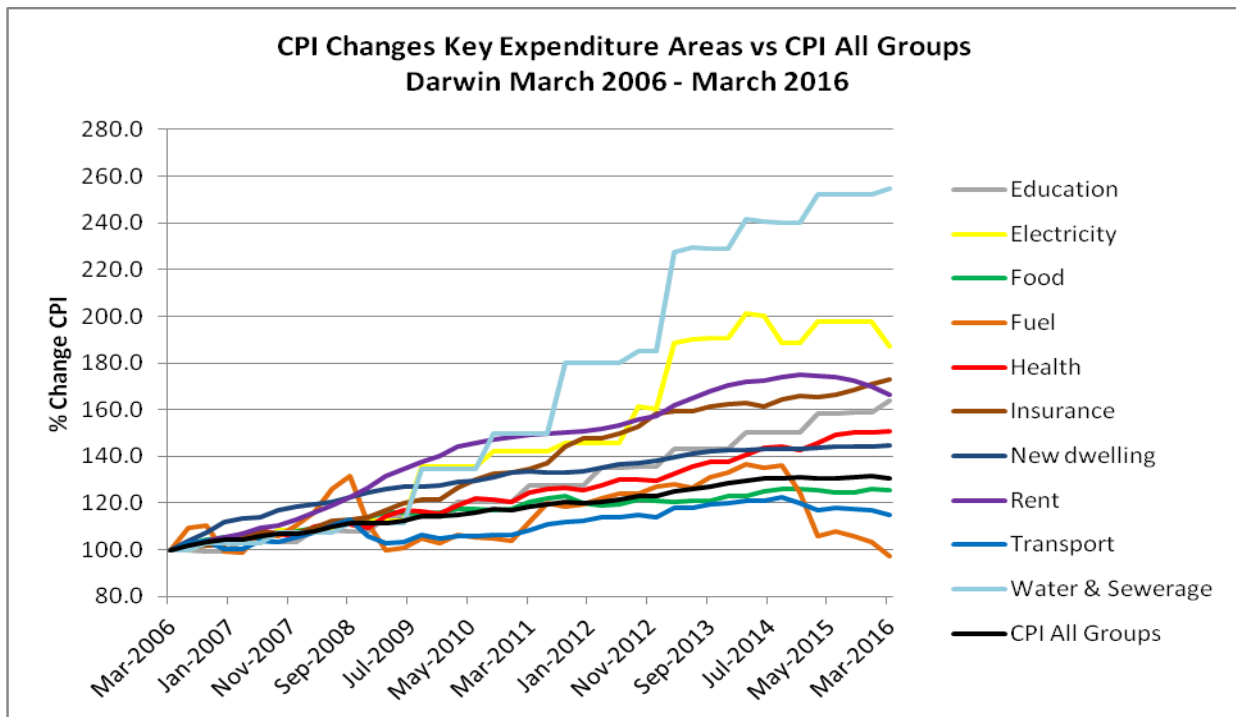
**Figure 2 Change in CPI 'All Groups' Capital Cities over the period March 2006 - March 2016**



Source: ABS 2016e Data 1-6

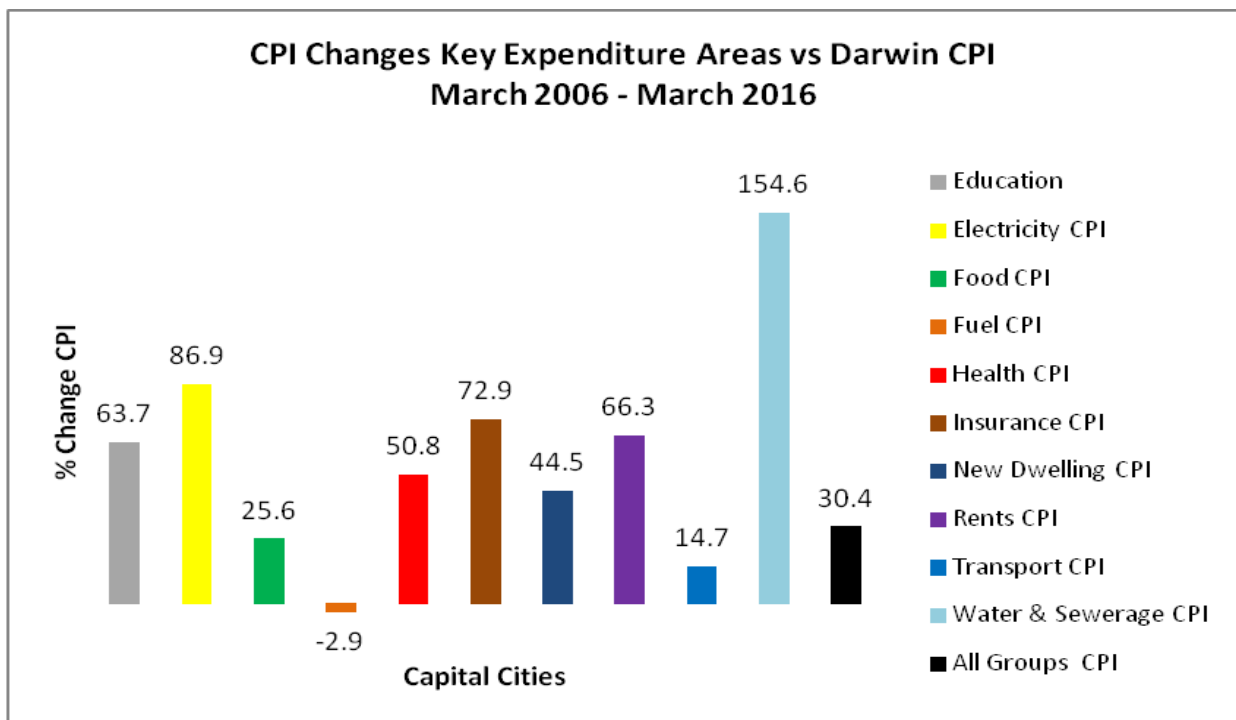
The following figure (Figure 3) shows the trends in the CPI for a number of key expenditure areas in Darwin over the past decade – with water and electricity having the highest rises over this period. The CPI for fuel experienced a significant downward trend in the last couple of years, contributing to a stabilising of the overall Transport CPI.

**Figure 3 Changes in CPI for Key Expenditure areas in Darwin over the period March 2006 - March 2016**



Source: ABS 2016e Data 4, 5

**Figure 4 Percentage change in Key Expenditure areas in Darwin between March 2006 and March 2016**



Source: ABS 2016e Data 4.5

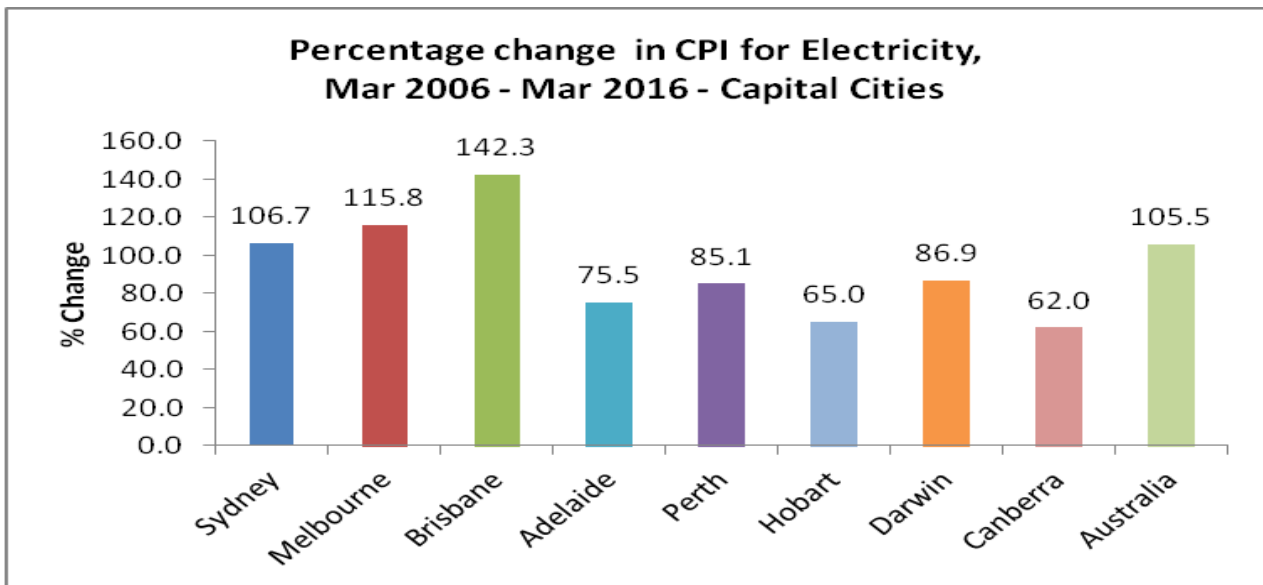
# Key Expenditure Areas for low income and disadvantaged households in the NT

## 1 Utilities – Electricity and Water and Sewerage

### 1.1 Electricity - National Comparison

While the CPI for electricity in Darwin fell in the first quarter of 2016, after the NT Government brought in a 5% reduction on electricity prices, which will have provided some financial relief for low income households in the NT, over the past decade the electricity price still rose by 86.9%, the fourth largest increase in the country for capital cities, but under the national average increase.

Figure 5 Percentage change in CPI for Electricity, Capital Cities between March 2006 and March 2016

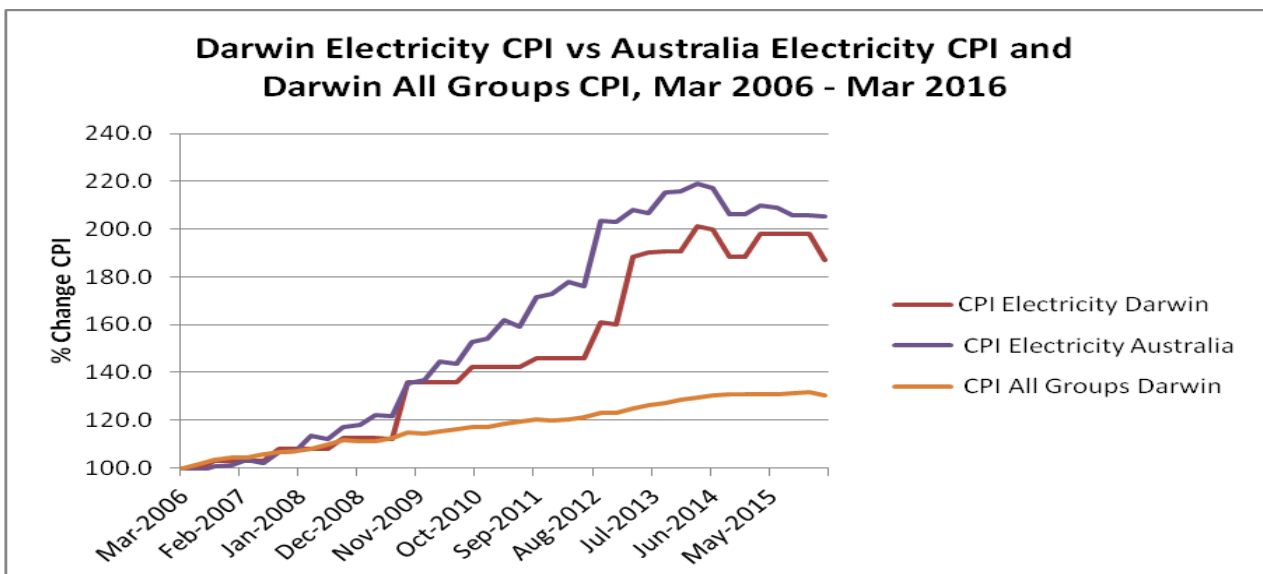


Source: ABS 2016e Data 1-6

### Comparison with Generic 'All groups' CPI in Darwin

When compared with generic 'All groups' CPI for Darwin, the CPI for electricity rose at a rate nearly **three times** the rate of the Darwin CPI (30.4%) over the past decade (ABS 2016de, see also Table 1). The first major rise during this period came during the September 2009 quarter

Figure 6 Change in CPI for Electricity for Darwin vs Australia March 2006 - March 2016



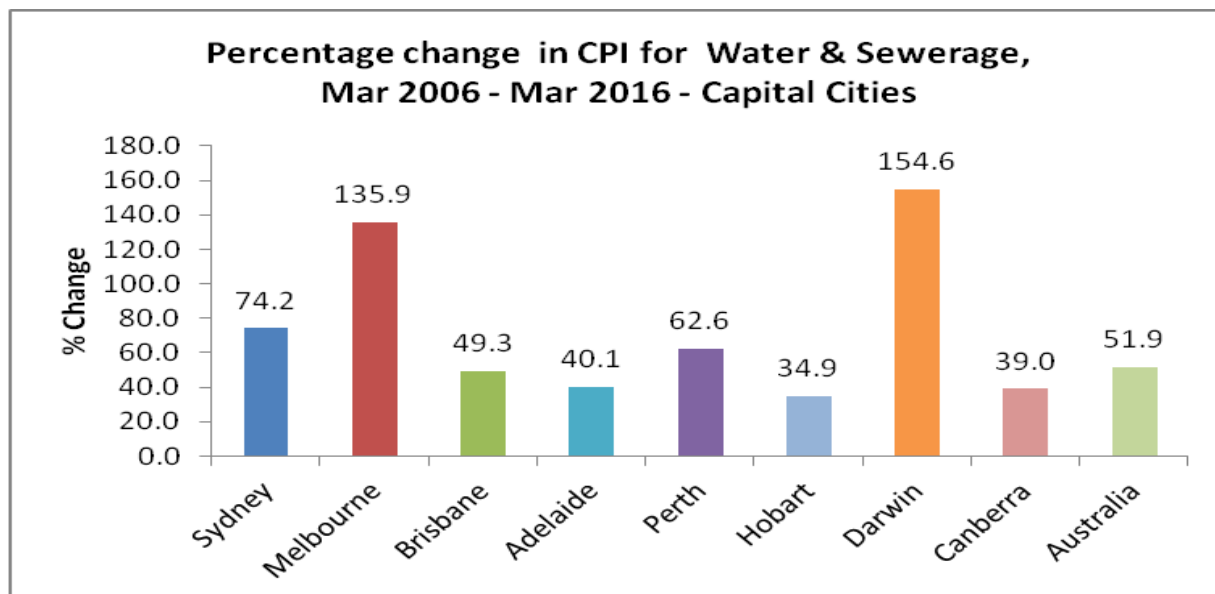
Source: ABS 2016e Data 4, 5, 6



## 1.2 Water and Sewerage - National Comparison

The CPI for water in Darwin rose 154.6% over the past decade, the largest increase in the country for capital cities, and **three times** the national average increase.

Figure 7 Percentage change in CPI for Water & Sewerage, Capital Cities between March 2006 and March 2016

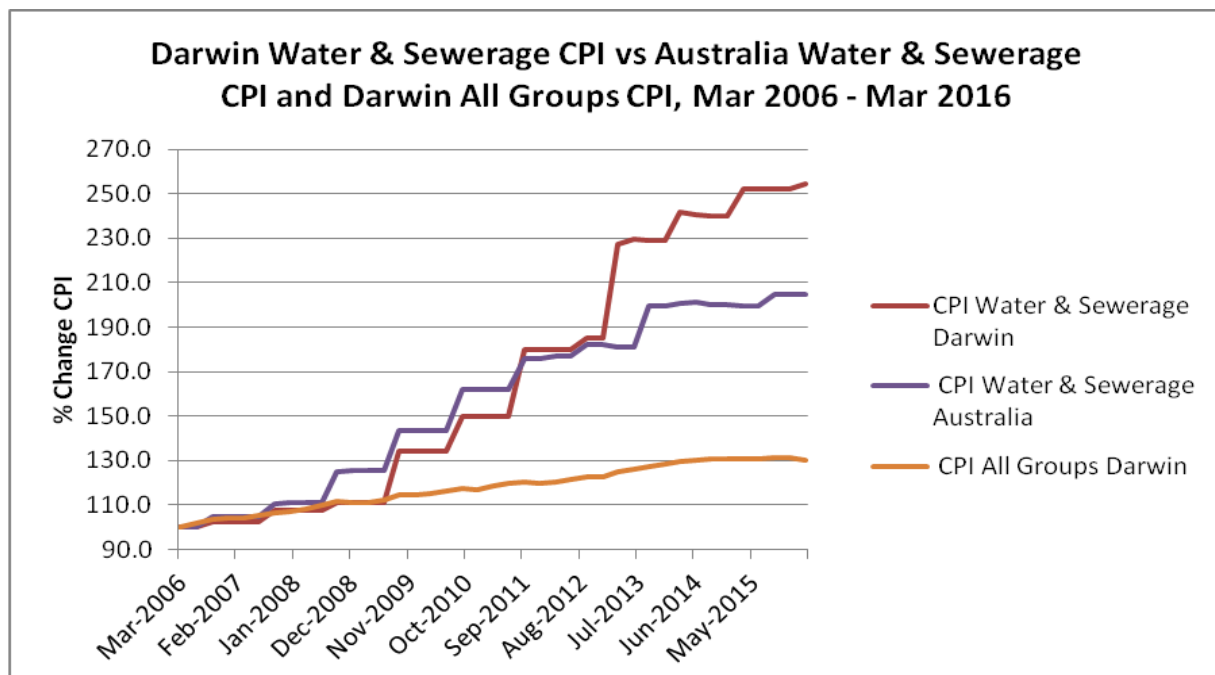


Source: ABS 2016e Data 1-6 Source

### Comparison with the 'CPI All Groups' Darwin

When compared with generic 'All groups' CPI for Darwin, the CPI for electricity rose at a rate nearly **five times** the rate of the Darwin CPI (30.4%) over the past decade (ABS 2016e, see also Table 1). The first major rise during this period came during the September 2009 quarter

Figure 8 Change in CPI for Water & Sewerage for Darwin vs Australia March 2006 - March 2016



Source: ABS 2016e Data 4, 5, 6

## Comment

Prior to 2009, when the electricity and water prices began to rise, the NT had enjoyed very low prices in both electricity and water for quite some time. Table 2a has a comparison of electricity prices across all states and territories in 2011-12, and it shows that even after an 18% rise in electricity costs, the NT still had the second lowest price (21.7 cents per kilowatt hour (c/p kw/h), ahead of only the ACT (16.9c/p kw/h). Prior to the 18% price rise, the price in the NT was 15.52 c/p kw/h (NTCOSS 2016b).

**Table 2a Residential electricity Prices – 2011-12 All States and Territories and National Average (cents per kw/h)**

Jurisdiction	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	National
2011-12	25.4	28.8	22.1	29.9	26.2	26.2	21.7	16.9	25.9

Source: Australian Energy Market Commission (AEMC), p.4. Note: more recent comparison figures not available. The current price for electricity in the NT is 25.54 cents per kW/h (PAWA 2016)

Table 2b shows that Darwin water prices are the third lowest in the country, as of January 2016 (Team Poly 2016, p.3). In addition, the NT has the second highest average urban water bill per household, behind only South Australia, despite Darwin's prices being the third lowest in the country for capital cities (Team Poly 2016, p.1). Note the Darwin price reflects the same price charged across the NT for all households with a standard meter.

**Table 2b Residential water prices – January 2016 All Capital Cities (\$ per KL)**

City	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
2016	\$2.28	\$2.5877 – \$3.7494	\$2.66	\$2.35 – \$3.63	\$1.52	\$0.97	\$1.91*	\$2.60 – \$5.22

Source: Team Poly 2016, p. 3 \*the Darwin (and NT) price is actually \$1.9226 (PAWA 2016)

Over the last seven years in Darwin and the NT there has been significant rises overall in both electricity and water prices. In terms of electricity and gas (combined category in the ABS Household Expenditure Surveys), the highest income households in the NT use more electricity and gas and spend almost three times (2.75x) as much as the lowest income households. Despite this, however, the lowest (3.0%) and second lowest income quintile households (3.3%) spend a greater proportion of their weekly income on electricity and gas than the 'All household' average, as well as the other three income quintile groups – as per Table 3 below (ABS 2011c).

National figures for Government Pensions and Allowances households (not available for states/territories) reveal that age pensioners (4.0%), disability pension and carer payment recipients (3.6%) and unemployment and study payment recipient households (4%) all spend a much greater proportion of their income on electricity and gas each week than the average Australian households (2.58%). In particular, age pension households spend double the proportion (4.0%) compared with the highest income quintile households (2.0%) (Figures derived from ABS 2011b).

The national<sup>1</sup> figures for water tell a similar story, The figures for Government Pensions and Allowances households reveal that age pensioners (1.0%), disability pension and carer payment recipients (0.68%) and unemployment and study payment recipient households (0.68%) all spend a greater proportion of their income on water and sewerage each week than the average Australian households (0.66%), and all spend a greater proportion than the two highest income quintile households (both 66%) (Figures derived from ABS 2011b).

<sup>1</sup> Because water and sewerage costs are part of the 'Current housing costs (selected dwelling)' category, and not a separate category in their own right, income quintile figures for the NT are not available for water and sewerage, therefore the national figures are used instead.

**Table 3 Utilities Expenditure by Household Type, NT and National (2009-10)<sup>2</sup>**

	Domestic Fuel & Power (NT) 2009-10		Water (National*) 2009-10	
	Av. Weekly Expend \$	% of H/hold Expend	Av. Weekly Expend \$	% of H/hold Expend
<i>Note: Domestic fuel &amp; power not disaggregated</i>				
Lowest Income Quintile	15.51	3.00	4.89	0.87
Second Income Quintile	27.13	3.30	6.32	0.78
Third Income Quintile	36.06	2.53	7.97	0.68
Fourth Income Quintile	40.07	2.46	9.53	0.64
Highest Income Quintile	42.67	1.93	12.26	0.57
All households	35.19	2.35	8.19	0.66

Source: Domestic Fuel & Power figures taken from 2011c (Table 3); National Water figures taken from ABS 2011b, Table 3A)

Note: The Expend figures have not been indexed to reflect 2016 expenditure figures as the focus is on the % of household expenditure.

The NT Government is undertaking a range of electricity market reforms that it expects will place further downward pressure on electricity prices (NT Government 2016e, p.3), however NTCOSS still believes that other initiatives are required as well, to protect low income and disadvantaged Territorians.

**Rising electricity and water prices are a significant concern, because these costs form a much greater proportion of the expenditure of lower income households than higher income households. This is particularly the case for income support recipients.**

The electricity, water and sewerage concessions provided under the NTPCCS make a significant difference for many households – as utilities bills would otherwise be unaffordable for many of the low income households who access the NTPCCS. **There are many low income Territorians, however, who miss out on the utilities concessions altogether, because of the tight eligibility criteria** (e.g. the NTPCCS is not extended to all health care card holders). This means that households where the main source of income is the Newstart Allowance or Youth Allowance are not eligible for the utilities concessions, nor any of the other concessions under the NTPCCS scheme.

It is telling that an age or disability pensioner (single) can earn up to \$1895.99 per fortnight and still receive a part pension (Centrelink 2016, p. 34) and a self-funded retiree who earns up to \$2010.49 per fortnight, which enables eligibility for the Commonwealth Seniors Health Card (Australian Government 2016), and therefore the NTPCCS, are both eligible for the utilities concession, yet a single person on Newstart receiving \$524.40 per fortnight does not qualify. This represents an inequitable approach to utilities concessions and needs to be addressed as a matter of priority, to ensure people currently missing out receive the vital support they require.

NTCOSS welcomes the recent announcement of the NT Government that it is undertaking a review into the NTPCCS scheme and NTCOSS believes that this presents an opportunity for the Government to review the eligibility criteria for the scheme, and consider the merits of extending the scheme to all Health Care Card holders, as part of ensuring that the scheme be targeted to those households who are most in need. In all other states and Territories, bar Queensland, and the NT, health care card holders are eligible to access electricity and water concessions. Queensland has a slightly more inclusive eligibility criteria than the NT, as parents with children, who receive Newstart, are also eligible.

Another important issue relates to concerns raised in a research undertaken by Bushlight (Centre for Appropriate Technology) which reported a low uptake of concessions by prepayment meter users, as reported by McKenzie (2013, p. 5), in a report done in the context of prepayment meters on Town Camps in Alice Springs, where it was recommended “Agencies administering rebate and concession programs... undertake better marketing in Indigenous communities, and offer support to eligible residents to apply for the programs”.

<sup>2</sup> The breakdown of expenditure by households by income quintiles is disaggregated by states, not capital cities. In addition, there is no breakdown of figures by income quintiles for electricity or gas as separate categories, nor for water and sewerage at the state level (which are contained in the housing figures and cannot be separated from this), so national figures for water and sewerage are used.

Given the review into the NTPCCS, there is also an opportunity to consider the structure of the electricity, water and sewerage concessions. As identified in the NTCOSS Cost of Living Report No. 8 on Concessions (NTCOSS 2016, p.16), the reality is that many people who receive the electricity, water and sewerage concessions, are paying significantly more now than what they were in 2010. Using a typical usage scenario, the final bill for a NTPCCS card holder has actually **gone up by \$337.70<sup>3</sup> over the last six years – an increase of 36.9%** (on the 2010 charges).

Notwithstanding the above, NTCOSS believes that the current structure of the NTPCCS Scheme should be altered, because the concession paid by the NT Government rises with electricity and water usage, meaning that there is no limit or cap on the concession paid to eligible recipients. NTCOSS believes a cap on the level of concessions available would be appropriate as it would provide an incentive for higher usage households to decrease their electricity and water usage, and savings in this area could be used to widen the net of eligible recipients for the scheme.

Another issue of importance is in relation to energy saving schemes, which have not always been accessible to low income Territory households, who have generally not had the financial means to take advantage of them. This makes it very hard for low income households to improve their energy efficiency, which often leads to reliance on older and inefficient appliances, which are often subject to poor maintenance regimes. In addition renters in older accommodation often face poor thermal efficiency in their homes, and there is little incentive for landlords to make energy efficiency related improvements. NTCOSS is pleased that there are now programs nationally which are directly working with low income households to address energy efficiency issues – including the Low Income Energy Efficiency Program (LEEIP) in East Arnhem Land – and believe that further developments should occur in this area.

## **RECOMMENDATIONS**

### **That the NT Government**

#### **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)**
- **Imposing a cap on concessions based on consumption levels (electricity and water)**
- **Improved marketing and support for customers, including 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.**

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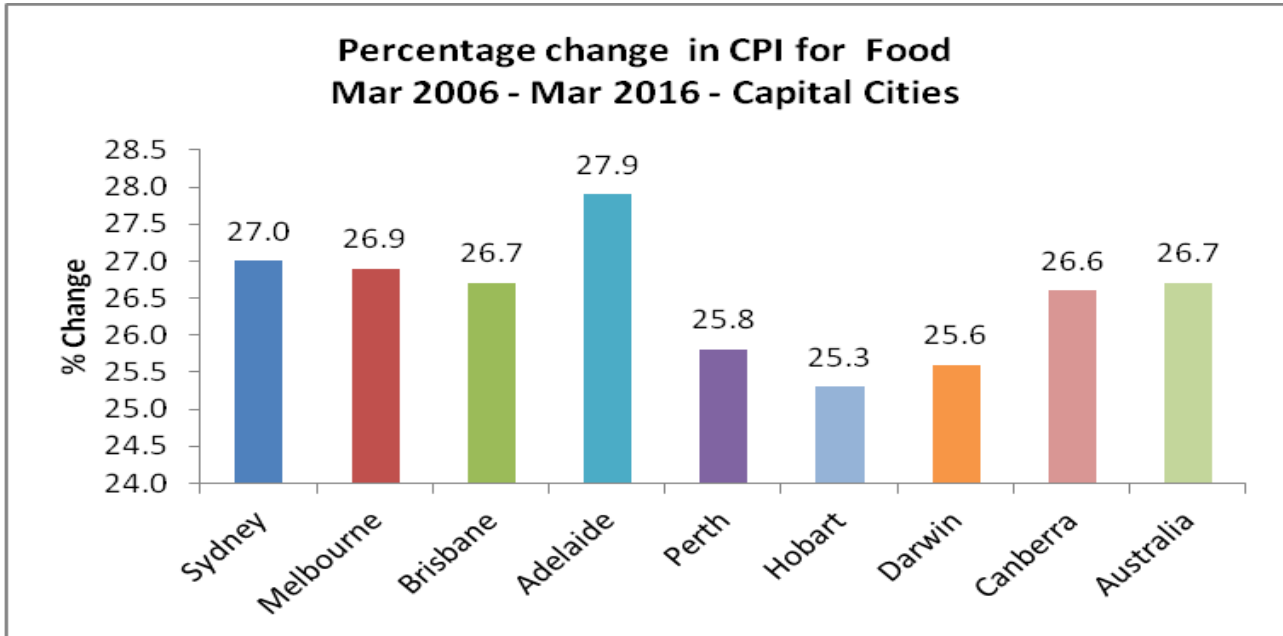
<sup>3</sup> The figure referred to here relates to 2016 prices. An initial calculation was done for the NTCOSS Cost of Living Report No. 8, (June 2015), p.16 using 2015 prices. For methodology see <http://www.ntcoss.org.au/wp-content/uploads/2014/09/NTCOSS-Cost-of-Living-Report-No.-8-Concessions.pdf>

## 2 Food

### National Comparison

The CPI for food in Darwin rose 25.6% over the past decade, the second smallest increase in the country for capital cities, and slightly below the national average increase, although most capital cities experienced similar price rises (the range being from 25.3% up to 27.9%). This represents good news for Darwin households.

**Figure 9 Percentage change in CPI for Food, Capital Cities between March 2006 and March 2016**

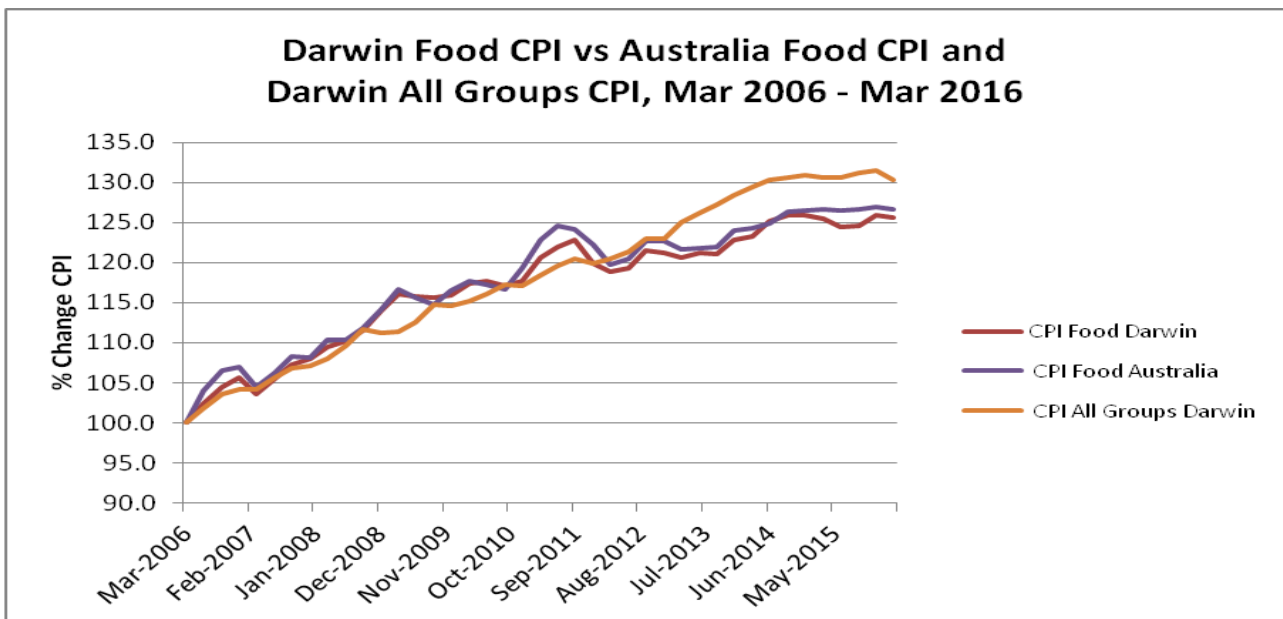


Source: ABS 2016e Data 1-6

### Comparison with the 'CPI All Groups' Darwin

When compared with generic 'All groups' CPI for Darwin, the CPI for food rose at a rate under the rate of the Darwin CPI (30.4%) over the past decade (ABS 2016e, see also Table 1). This represents good news for Darwin households.

**Figure 10 Change in CPI for Food for Darwin vs Australia March 2006 - March 2016**



Source: ABS 2016e Data 4, 5, 6

## **Remote Food Prices – Comparison between Major Centres and Remote Areas**

While the CPI for food for Darwin has risen under the rate of the generic CPI for Darwin, over the past decade which represents good news for Darwin residents, the change in price of food in Darwin is not indicative of changes in food prices across the rest of the Northern Territory. While CPI figures are done for capital cities only, and not for regional areas, we know from the NT Government's Market Basket Surveys that there are significant variations in food prices across different parts of the NT.

The recently released 2015 Market Basket Survey Report (NT Government 2015, p.16) highlights that in the decade from June 2005 – June 2015 the average cost of the food basket in a Darwin supermarket increased by approx 33% (which is in the vicinity of the 30%<sup>4</sup> increase in CPI for food in Darwin over the same period). However in remote stores the average cost increased by 41% (figures adapted from NT Government 2015, p.17). *Note the comparison here is with the decade from June 2005-June 2015, to correlate with the figures available for the MBS, while throughout the rest of the report, the decade comparison for CPI figures relates to June 2006-June 2016.*

In 2005, the cost of a food basket on average in a remote store was 33% higher than the cost in a Darwin supermarket. This difference was as low as 18% in 2007 (NT Government 2015, p. 17). In 2015, however, the food basket on average, cost 41% more in a remote stores, when compared with a Darwin supermarket. For the past 5 years, since 2010, the price difference between remote community stores in comparison with Darwin supermarket prices have consistently hovered between 43%-53%, until the most recent figure of 41% (NT Government 2015, p.17). 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 In fact in 2014, the difference in the average cost of a food basket in a remote store was 53% higher than the cost in a Darwin supermarket, and the major reason why the percentage difference was reduced in 2015, was because the cost of food in a Darwin supermarket increased by 8%, (NT Government 2015, p.3), and not because remote food prices decreased dramatically (even though they went down by 1%) .

Remote households still pay disproportionately more for their food when shopping locally. In 2015 a family shopping in a remote store would require 33% of their family income to purchase the food basket, while a family in a Darwin supermarket would require only 23% of their income for the same basket (NT Government 2015, p. 3).

There are also some bewildering differences in food basket costs between remote stores in the same region – for example in the Alice Springs region there was a price range of \$682- \$1061; while in Katherine there was a range of \$694-\$1068 (NT Government 2015, p.28-29, 32)

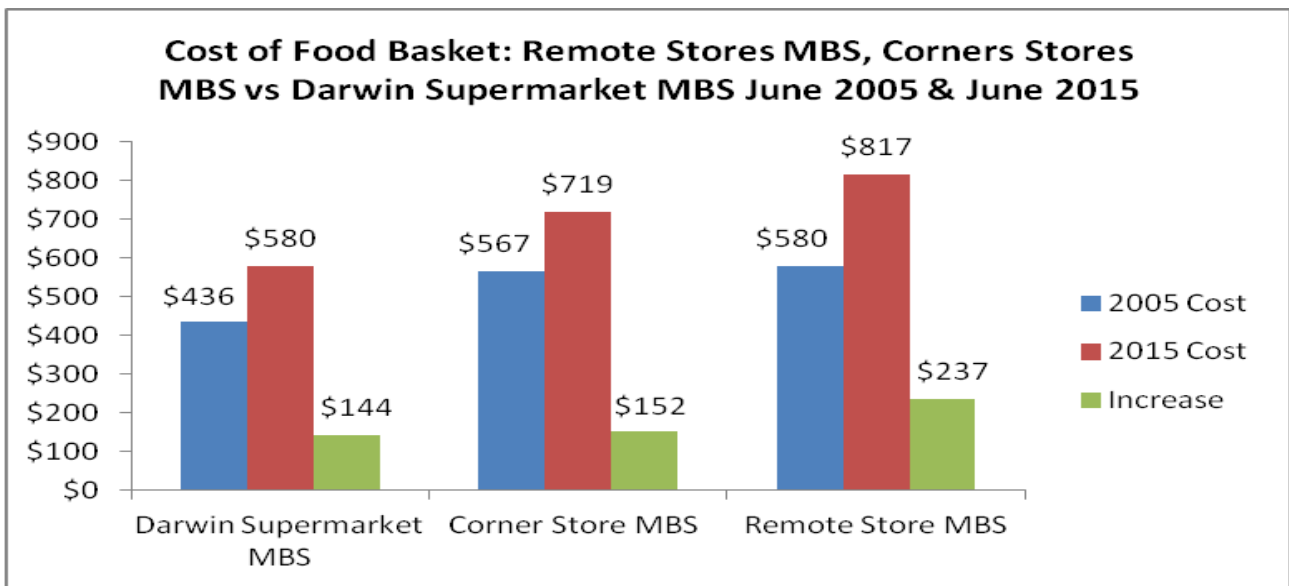
Note: Darwin Supermarket prices are used in these comparisons as it is typical to compare prices in regional areas with the prices in the capital city. In 2015, the average price of the basket of goods in an Alice Springs supermarket (\$534) was lower than that in a Darwin supermarket (\$580) (NT Government 2015, p. 5).

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<sup>4</sup> This figure of 30% is based on the period June 2005-June 2015 to correspond to the period covered by the Market Basket Survey

Figure 11 shows the change in the average price of food in remote stores, corner stores and a Darwin supermarket over the past decade.

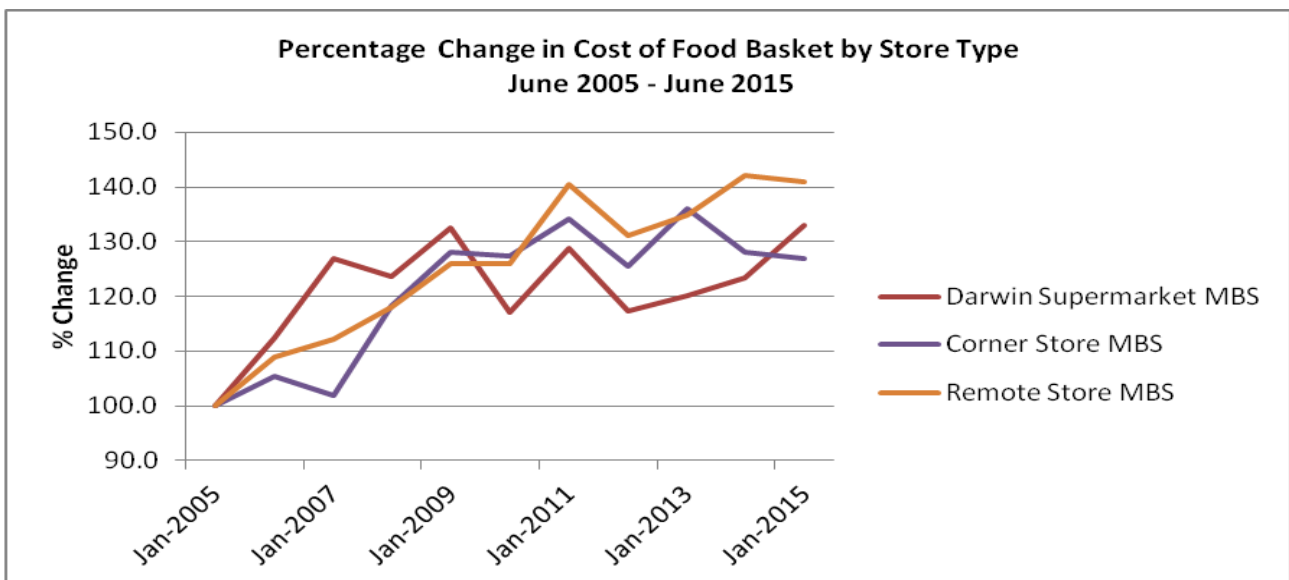
**Figure 11 Comparison of Change in Cost of Food Basket (MBS) by Store type between June 2005 and June 2015**



Source: NT Government 2015, Table 15 p. 16, Table 16, p.17

Figure 12 shows the trends over time in these price changes, and reveals that remote food prices have generally been on a steady rise over the past decade apart from in 2012 and 2015. It is important to note that in 2011 fruit prices were extremely high across the board, due to the high price of bananas, but they then dropped the following year.<sup>5</sup>

**Figure 12 Percentage change in cost of Food Basket (MBS) by Store type over the years June 2005 - June 2015**

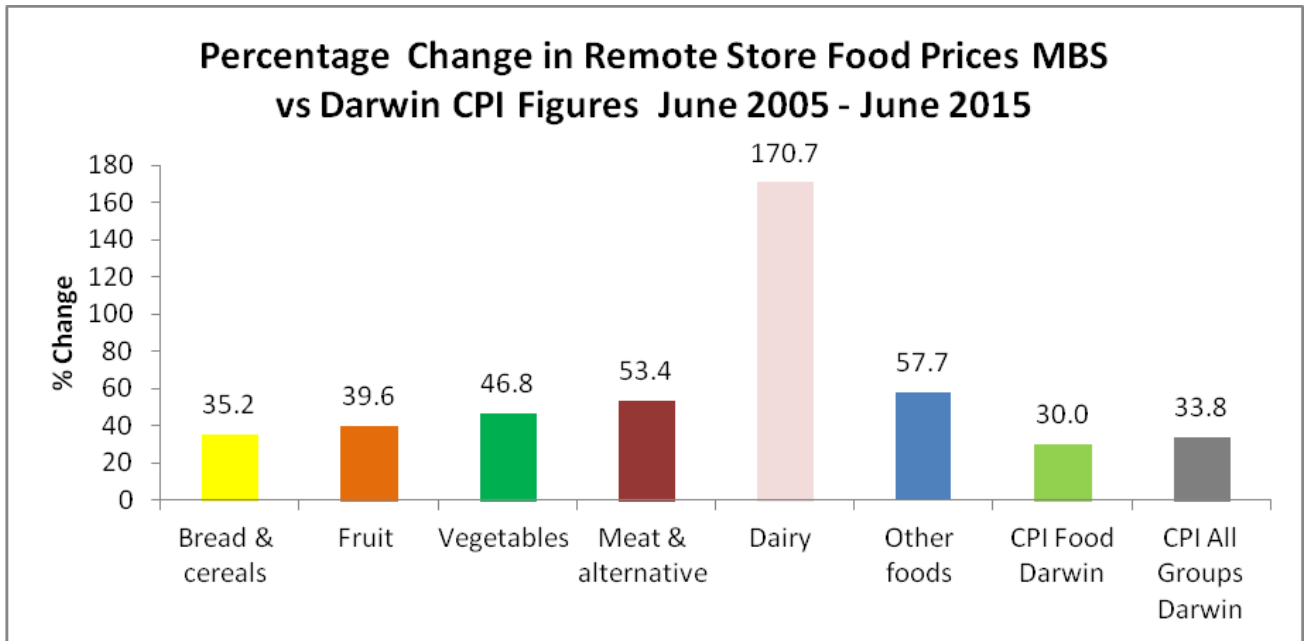


Source: NT Government 2015, Table 15 p. 16, Table 16, p.17

<sup>5</sup> The Market Basket Survey for 2011, noted that there was a “marked increase in the cost of the basket of foods”, seen all regions and across both remote stores and the district centre supermarkets “The major driver of this increase was a sharp rise in the cost of the fruit portion of the basket (43% in remote stores and 68% in supermarkets), which was due largely to the high cost of bananas following the destruction of banana crops in Queensland by Cyclone Yasi in early 2011”. The report noted, however, that the actual impact of the price of bananas on household food spending may not have been as pronounced as the survey suggested, given that people may have chosen to buy cheaper fruits instead of purchasing bananas (NT Government 2011b, p.26).

The price of food in remote stores can be further broken down to examine the price movement for the major food group expenditure areas. Figure 13 looks at these and compares these prices with the Darwin Food CPI as well as the generic CPI for Darwin. The average of all of the major food groups in remote stores increased at a higher rate than the Darwin Food CPI, with some increasing at nearly twice the rate (other foods) and as high as over five times the rate (i.e. Dairy products).

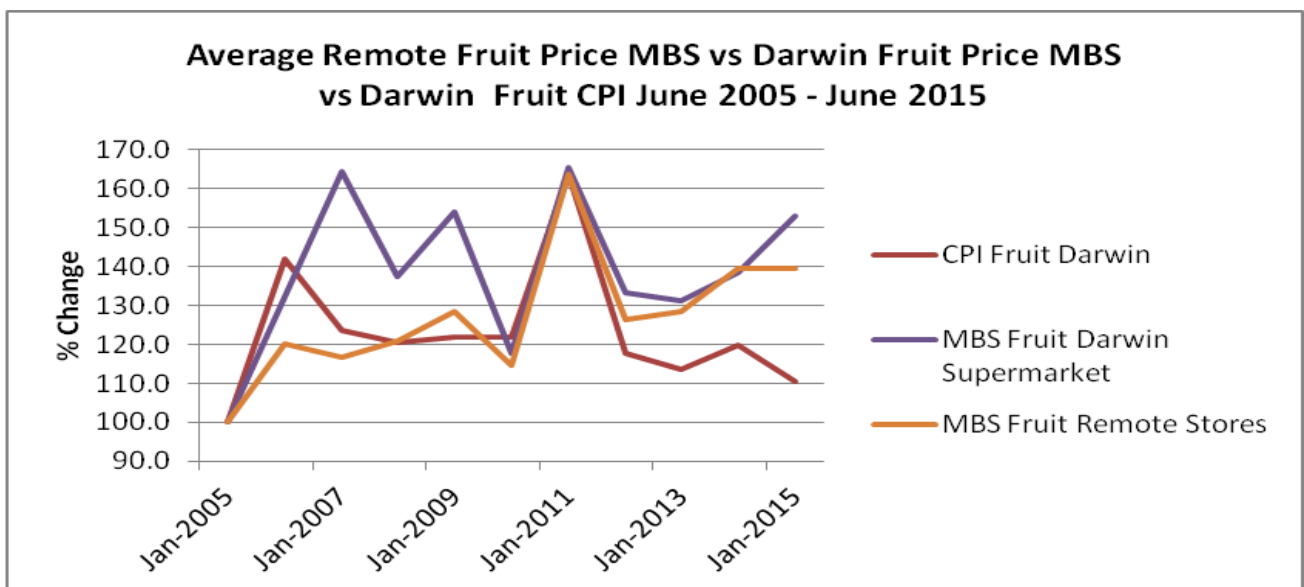
**Figure 13 Percentage Change in Remote Store Food Prices (MBS) vs Darwin CPI for Specific Food Groups between June 2005 and June 2015**



Source: NT Government 2015, Table 19 p. 20

Figure 14 shows that remote fruit prices have risen in the last few years (though stabilised in 2015), while at the same time the CPI for fruit in Darwin has actually decreased.

**Figure 14 Change in Remote Store Fruit Price (MBS) vs Darwin Fruit CPI over the period June 2005 – June 2015**

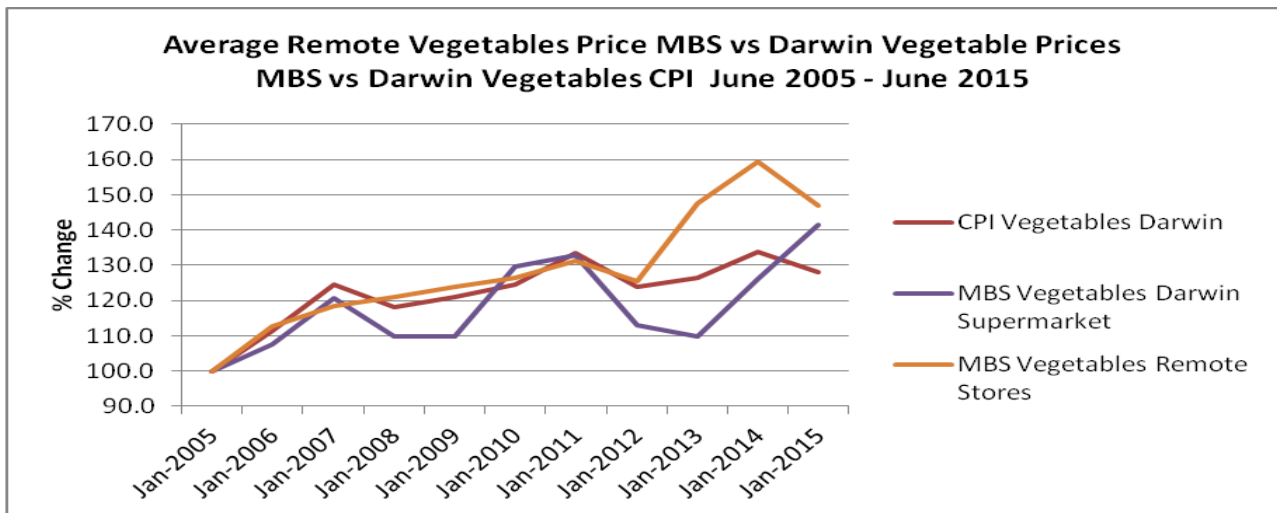


Source: Derived from NT Government 2005, 2007a, 2007b, 2008, 2010a, 2011a, 2011b, 2013a, 2013b, 2014a, 2015



Figure 15 below shows that while remote vegetable prices had risen in most years over the past decade, this had generally been in line with the Darwin vegetable CPI, but in 2013 there was a significant increase in remote vegetable prices (17.5%), well above the CPI, followed by an increase of 8% in 2014, but then an 8% decrease in 2015. The Darwin supermarket MBS prices had generally tracked with, or below the Darwin Vegetables CPI, but in 2014 (15%) and 2015 (12.2%) there were substantial increases in the MBS Darwin supermarket vegetable prices. The decrease in MBS remote store vegetables prices may reflect the fact that a number of stores – in particular Arnhem Land Progress Association (2016) stores and Outback Stores (2016) – have made efforts to reduce the price of both fresh fruit and vegetables over a number of years (See Explanatory Notes 5).

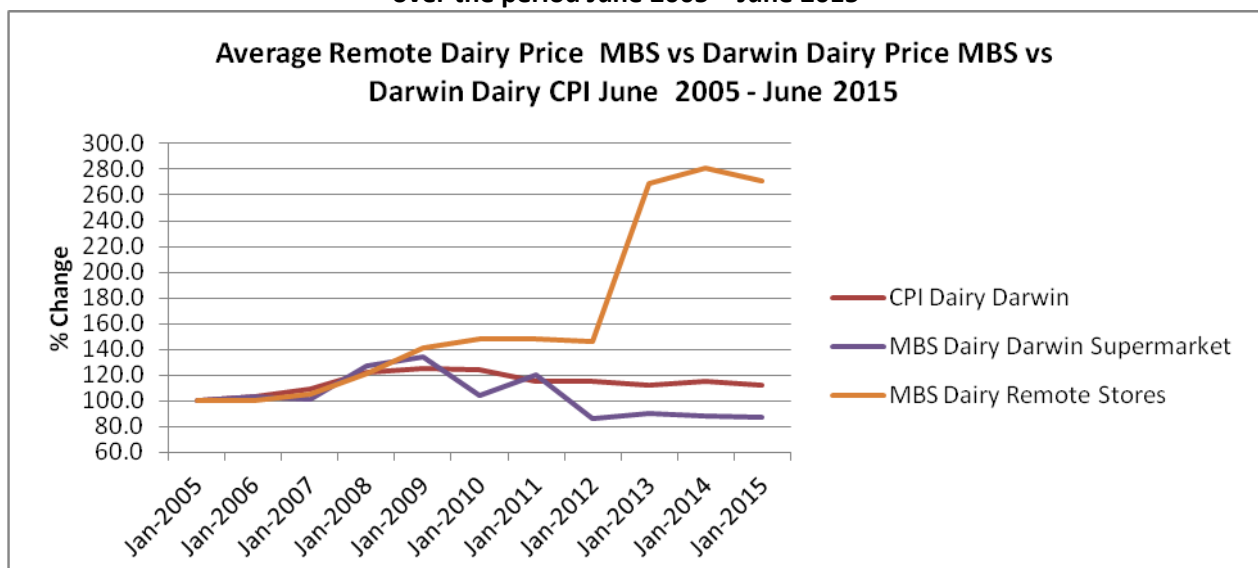
**Figure 15 Change in Remote Store Vegetables Price (MBS) vs Darwin Vegetable CPI over the period June 2005 – June 2015**



Source: Derived from NT Government 2005, 2007a, 2007b, 2008, 2010a, 2011a, 2011b, 2013a, 2013b, 2014a, 2015

The most staggering change in price in remote stores over the past few years has been in relation to dairy products. Figure 16 shows that remote dairy prices have risen by 170% over the past decade, with the most significant increase happening in 2013, when prices rose by around 83%. At the same time, however, the Darwin CPI for dairy products has actually been gradually declining overall (since 2010). The Darwin MBS supermarket dairy price generally tracked fairly evenly with the Darwin CPI for dairy from 2005-2019, and has consistently tracked below the dairy CPI for most of the last 6 years apart from 2011.

**Figure 16 Change in Remote Store Dairy Price (MBS) vs Darwin Dairy CPI over the period June 2005 – June 2015**



Derived from NT Government 2005, 2007a, 2007b, 2008, 2010a, 2011a, 2011b, 2013a, 2013b, 2014a, 2015

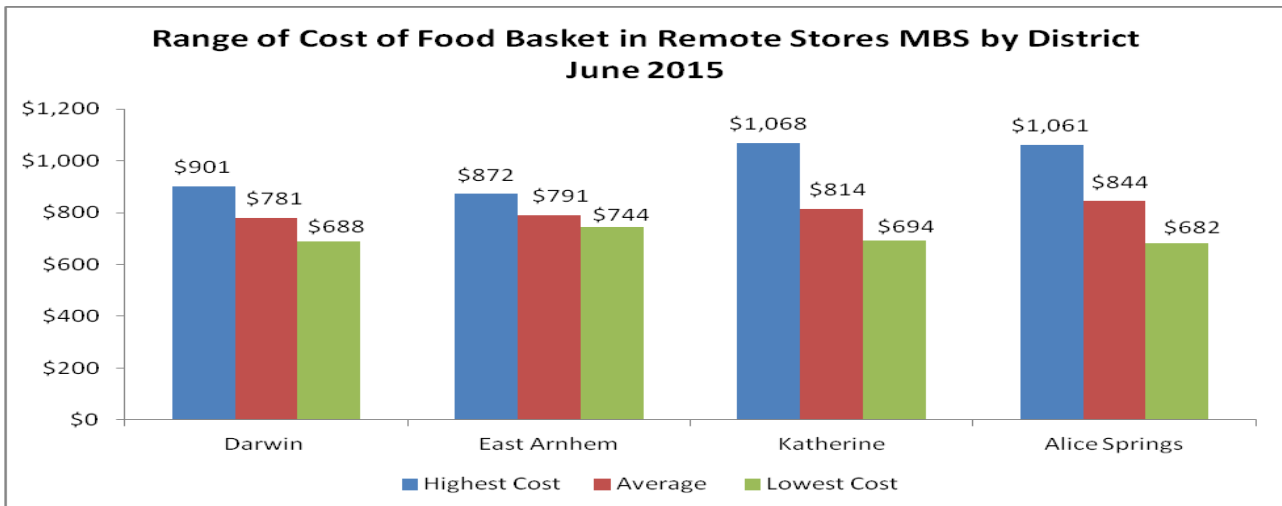
**Comment**

The vast difference in price movement in dairy products highlighted by the 2015 Market Basket Survey raises questions about what are the drivers of the extreme price differentials evident with some products, in some situations. The variation in the cost of the food basket in remote stores within one district also raises questions, as to what drives the price differentials. For example, there is a \$374 difference in price between the highest and lowest cost of a basket in remote stores in the Alice Springs district; and a \$379 difference in the Katherine District. (NT Government 2015, p. 28-29, 32). NTCOSS believes that a ‘Remote Food Summit’ involving all key stakeholders, would be one way that further attention could be brought onto this issue, and which could provide a mechanism for driving change to address what is possible in terms of bringing the price of food down on remote communities.

NT COSS acknowledges that the NT Government is supporting reductions in food and fuel transport costs to small and remote communities through increasing investment in all weather roads (NT Government 2016e, p.3). This investment is welcomed, but needs to be part of an overall broad approach to tackle high remote food prices.

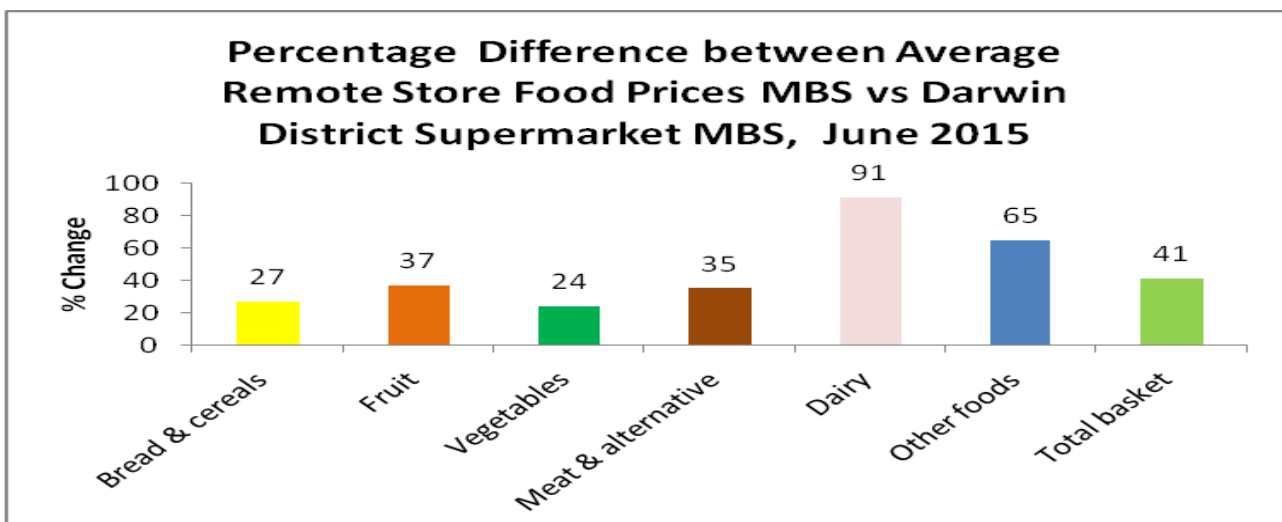
**Since December 2014, NTCOSS has been calling on the NT Government to facilitate a ‘Remote Food Summit’, which should include key stakeholders from remote communities, manufacturers, wholesalers, retailers, Government, and health organisations, in order to examine the drivers of high food prices in remote community stores, and develop strategies for bringing prices down.**

**Figure 17 Range of Cost of Food Basket in Remote Area Stores MBS by District June 2015**



Source: NT Government 2015, Appendix C p. 28-32

**Figure 18 Range of Cost of Food Basket in Remote Area Stores MBS by District June 2015**



NT Government 2015, Table 10, p.11

On top of the impact on cost of living issues, food costs also directly impact on health outcomes for many people. For some people in low income households, skipping meals or regularly going without adequate food might be a choice they make to ensure their children are fed, which may be compromising their required nutritional intake.

In order to make a real difference to access to fresh fruit and vegetables for residents of remote communities, one target that could be set by Government is for fresh fruit and vegetables to be available in remote communities at the same price as in a Darwin supermarket.

**NTCOSS believes that we need to aim for a situation where the price of fresh fruit and vegetables in remote stores cost the same as what they cost in a Darwin supermarket.**

Research from around the world has consistently shown that the poor are more likely to suffer ill health than well-off members of society. Jan et al (2012) note that chronic illness and disability is associated with economic hardship, which of itself then affects health behaviours “thereby completing a cycle in which poor health leads to poverty, which then leads to poor health”. There are well established links between a poor diet and chronic diseases like obesity, diabetes, heart disease and some cancers (AIHW, 2014)<sup>6</sup>. For people with poor health, an inadequate diet can further exacerbate existing health conditions, such as diabetes or kidney disease.

Improving the availability, variety, quality and affordability of fruits and vegetables has been a priority identified in both Northern Territory and national nutrition policies (NT Government 2013a, p. 25-26), in order to improve the very low (or non-existent) daily intake of fruit and vegetables by Aboriginal people in remote areas. The 2012 MBS cites strong evidence which suggests that “an adequate intake of fruits and vegetables is protective against diseases such as coronary heart disease, hypertension, type 2 diabetes, stroke and some cancers” (NT Government 2013a, p. 25). In addition, the 2012 MBS refers to national surveys showing that “many Australians do not consume the recommended amounts of fruit and vegetables and the rates of people who are not meeting the recommended daily intake of fruit and vegetables is higher amongst Aboriginal people than non-Aboriginal people”(NT Government 2013a, p. 25-26).

## **RECOMMENDATIONS:**

### **That the NT Government:**

- 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<sup>7</sup> 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.**

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<sup>6</sup> <http://www.aihw.gov.au/chronic-disease-determinants/>

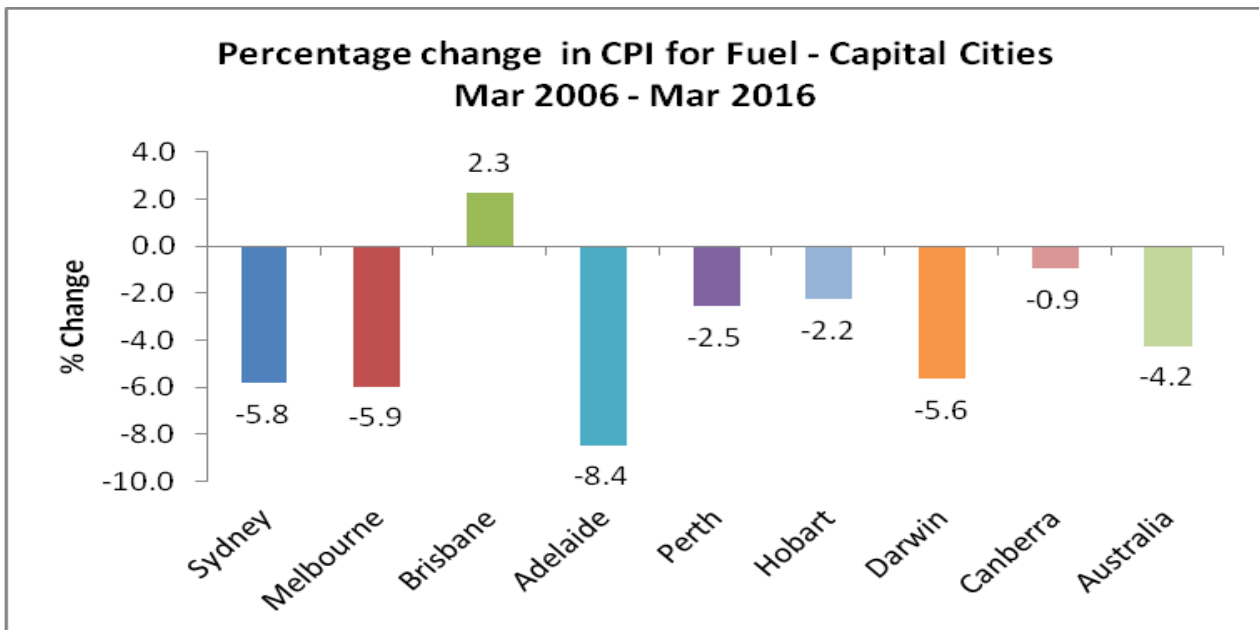
<sup>7</sup> Refer also to the Recommendations in the NTCOSS (2014) Cost of Living Update, No.3, April 2014 (Transport)

### 3 Fuel

#### National Comparison

The price of fuel in Darwin has dropped significantly overall (-5.6%) during the past decade (Figure 19), largely due to the significant price drops towards the end of 2013, as evident in Figure 20.

**Figure 19 Percentage change in CPI for Fuel, Capital Cities between March 2006 and March 2016**

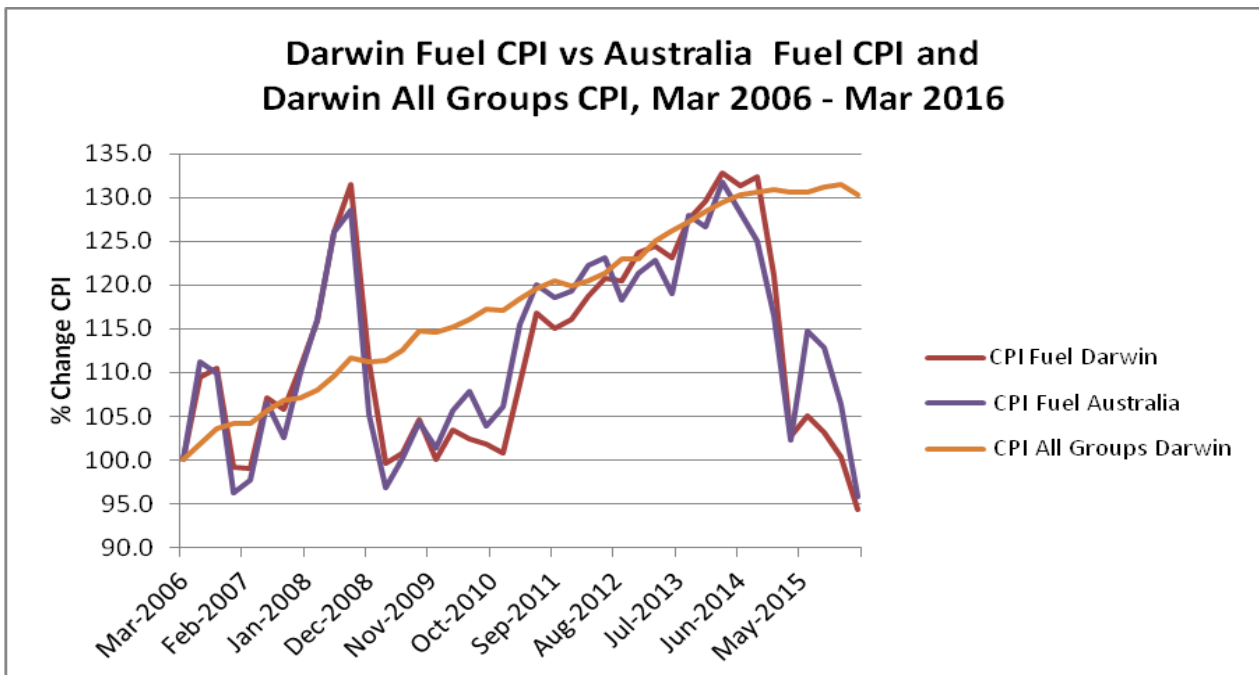


Source: ABS 2016e Data 1-6

#### Comparison with the 'CPI All Groups' Darwin

Figure 20 shows a comparison of the CPI for fuel for Darwin, and nationally, with the generic 'All groups' CPI for Darwin. Fuel prices have generally fluctuated, sometimes wildly, over the past decade. After tracking fairly closely with the Darwin CPI from late 2011 through to June 2014, the fuel price dropped dramatically and this decrease has been sustained.

**Figure 20 Change in CPI for Fuel for Darwin vs Australia March 2006 - March 2016**



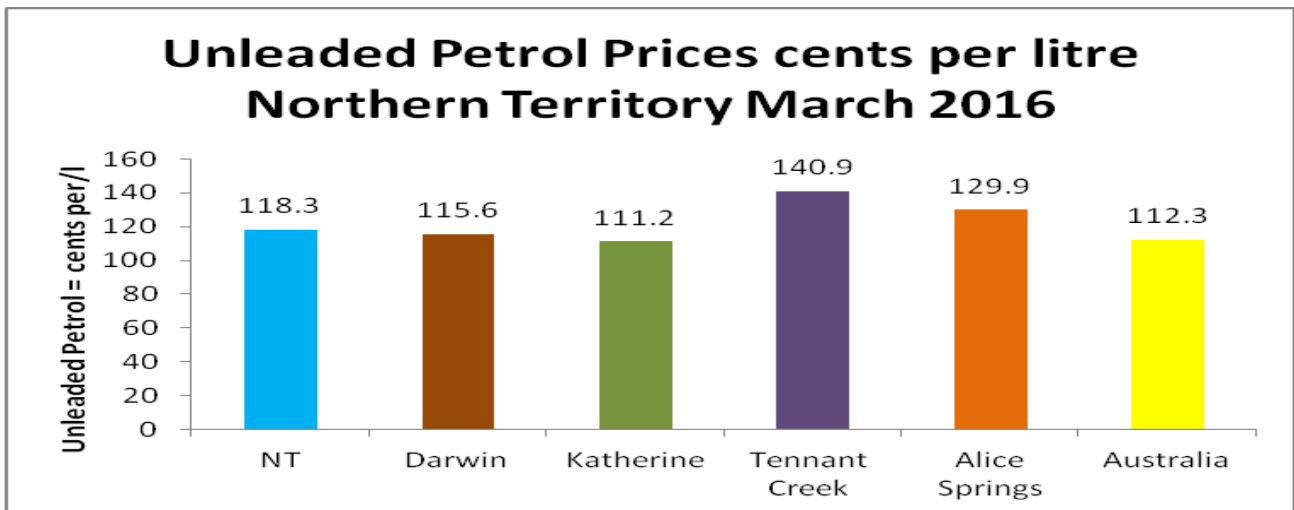
Source: ABS 2016e Data 4, 5, 6

### Petrol Prices across the NT

While the CPI figures only cover capital cities, further fuel price information for the NT is maintained by the Australian Institute of Petroleum, and published by the NT Government in monthly economic briefs, although “Caution is advised when using monthly data for the Territory, which is often derived from small samples and highly volatile” (NT Government 2016a, p.3). 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. This data shows that not only has the price of unleaded petrol decreased in Darwin, but other regional centres have also experienced significant decreases in the past year (NT Government 2016a).

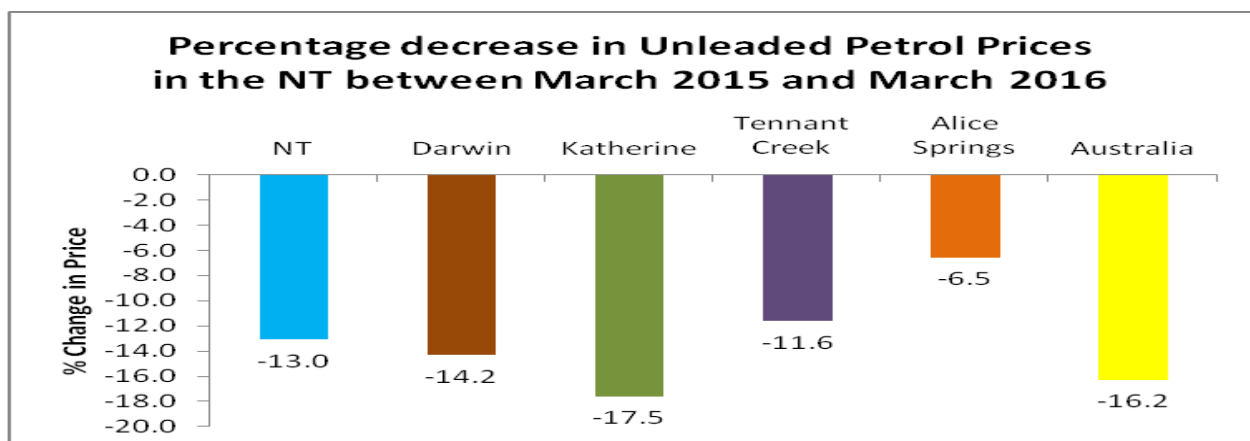
While different to the CPI data, this data shows that the average price of unleaded fuel in the NT fell 13% from 136.0 to 118.3 cents per litre (cpl) over the past year (ending March 2016), while nationally the price went down 16.2% from 134.0 to 112.3 (NT Government 2016a). In Darwin the price fell 14.2% from 134.8 to 115.6 cpl; in Katherine the price fell 17.5% from 134.8 to 111.2 cpl, in Tennant Creek the price fell 11.6% from 159.3 to 140.9; while in Alice Springs the price fell 6.5% from 138.9 to 129.9 cpl (NT Government 2016a). Figure 22 shows the percentage drop in the price of unleaded fuel for the year ending March 2016. The Darwin figure (-14.2%) shows a bigger decrease than the ABS figure for CPI for fuel for Darwin of -8.1% (ABS 2016d), over the same period.

**Figure 21 Unleaded Petrol Prices in the NT March 2016**



Source: Figures Derived from NT Government 2016a, p.2, using data supplied by the Australian Institute of Petroleum(AIP). Figures relate to the week ending 29 March 2015 & 27 March 2016.

**Figure 22 Percentage Decrease in Unleaded Petrol Prices in the NT, over the past year**



Source: Figures derived from NT Government 2016a, p.2, using data supplied by the Australian Institute of Petroleum(AIP). Figures relate to the week ending 29 March 2015 & 27 March 2016.

### Comment

The above figures represent welcome news for many households in the Northern Territory. While the drop in the price of fuel (nationally) has been influenced by the significant drop in overseas oil prices (ABS 2016b), the ACCC (2015) stated that the decline in Darwin’s fuel prices “could have been influenced by factors such as the discount arrangement of the Automobile Association of the Northern Territory with United Petroleum sites in Darwin, and the increased scrutiny of Darwin prices by the Northern Territory Government, the ACCC and the wider community.” It is also important to acknowledge the role played by the October 2013 Fuel Summit facilitated by the NT Government, which led to prices almost immediately decreasing in Darwin, and a greater scrutiny on prices by the wider community, which has subsequently seen prices decrease in regional areas as well.

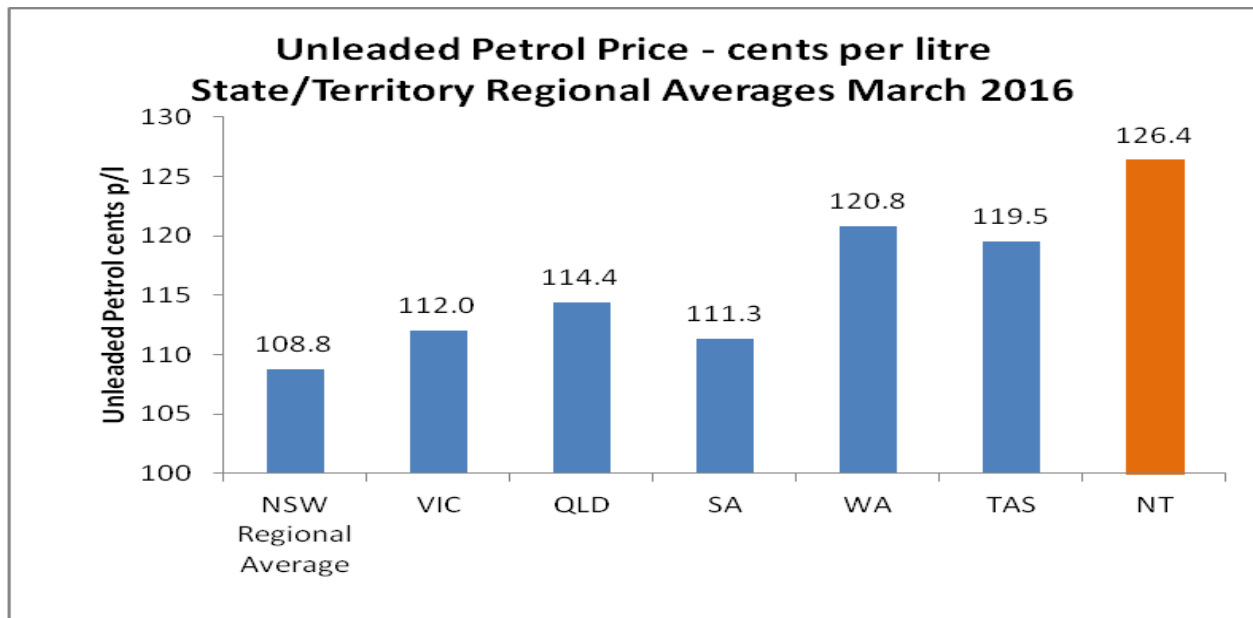
Due to the very significant price drop in unleaded petrol in Darwin over recent years, Darwin is now the fourth cheapest city for unleaded petrol prices in the country as of March 2016, at 116.8 cpl (Australian Institute of Petroleum 2016). This compares with it having been the most expensive city, eighteen months ago, in December 2014. Diesel prices also decreased in the twelve months to March 2016, with prices in the NT as a whole decreasing by 13.7%, and Darwin prices decreasing by 14.1%, while the national decrease was 14.9% (NT Government 2016a, p. 3).

### 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.

According to figures provided by the Petroleum Institute (2016), the NT regional average unleaded petrol price is the **highest regional average** of all states and Territories (126.40 cpl). 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, with prices in some areas virtually double what they are in others – see Figure 24 below.

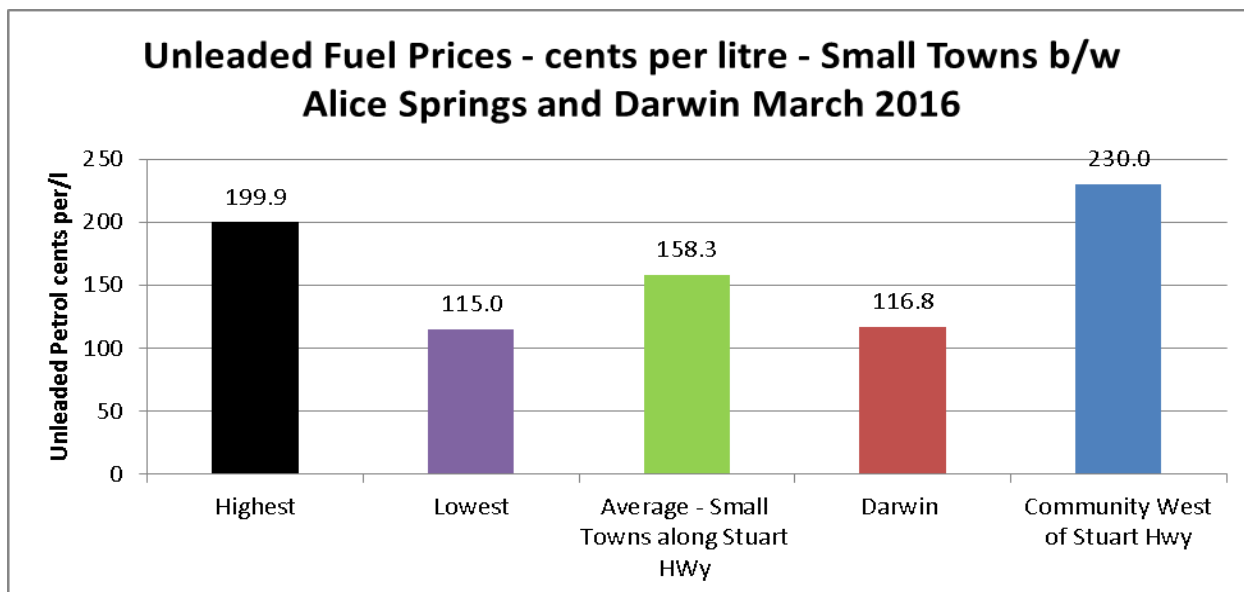
**Figure 23 Unleaded Petrol Price Regional Averages State & Territory Regional Averages March 2016**



Source: Figures Derived from Australian Institute of Petroleum 2016.

Note: ACT figures combined with NSW.

**Figure 24 Unleaded Fuel Price – A Selection of Small Towns in the NT vs Darwin, March 2016**



Source: Figures Derived from NTCOSS 2016a; 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).

Data compiled by NTCOSS (2016a) 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 (NTCOSS 2016a).

Figure 24 shows the extraordinarily high fuel prices in some parts of the NT, with 199.9 cpl 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. Further to this, the price of fuel in a remote community, over 200 km from the Stuart Highway was 230.0 cpl, double the lowest price along the highway (in the Top End).

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 notes that the NT Government is introducing the Fuel Price Disclosure Bill into the Legislative Assembly to increase transparency surrounding the makeup of fuel prices. The NT Government is also increasing the availability of fuel price information in the Territory through the expansion of the Department of Treasury and Finance’s Fuel Price Economic Briefs to include diesel pricing and a greater frequency of publication. In addition, as noted earlier in relation to remote food prices, the NT Government is supporting reductions in food and fuel transport costs to small and remote communities through increasing investment in all weather roads (NT Government 2016e, p.3).

These developments are all welcomed, however, NTCOSS still believes, that further work must be done to explore the significant price disparities between petrol prices in many remote areas and larger regional centres, in order to ensure that there is a fair and transparent fuel pricing system across the whole of the Northern Territory.

## **RECOMMENDATION**

**That the NT Government**

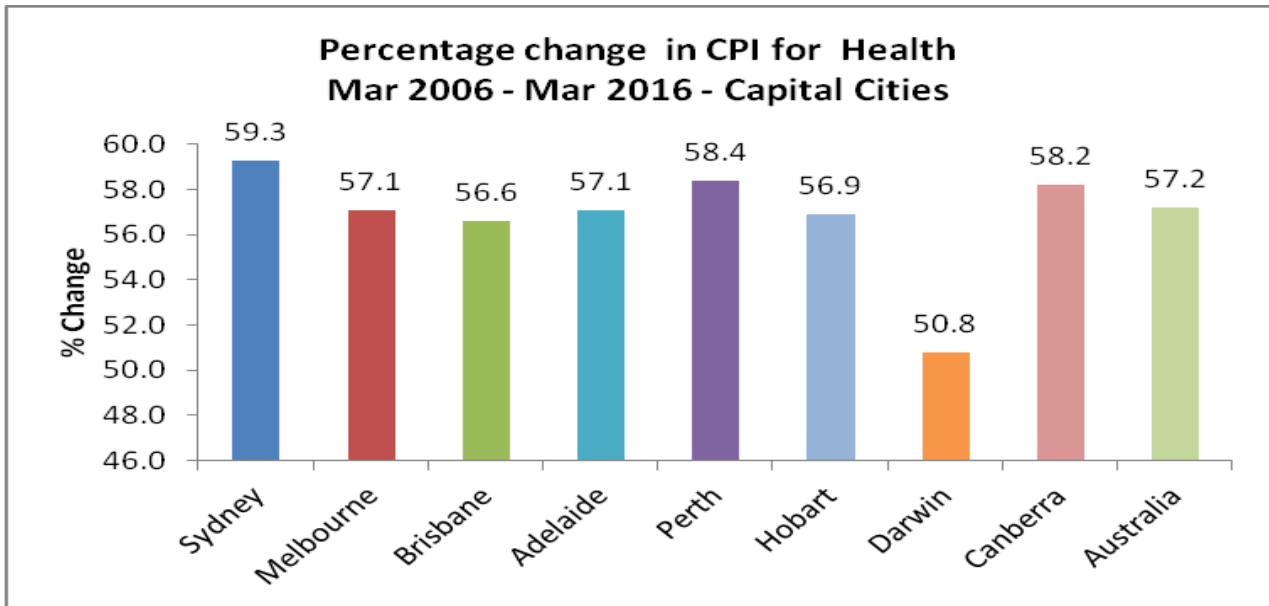
**3.1 Formally investigates the price disparity between petrol prices in remote areas and larger regional centres.**

## 4 Health

### National Comparison

The CPI for health in Darwin rose 50.8% over the past decade, the smallest increase in the country for capital cities, and well below the national average increase.

**Figure 25 Percentage change in CPI for Health, Capital Cities between March 2006 and March 2016**

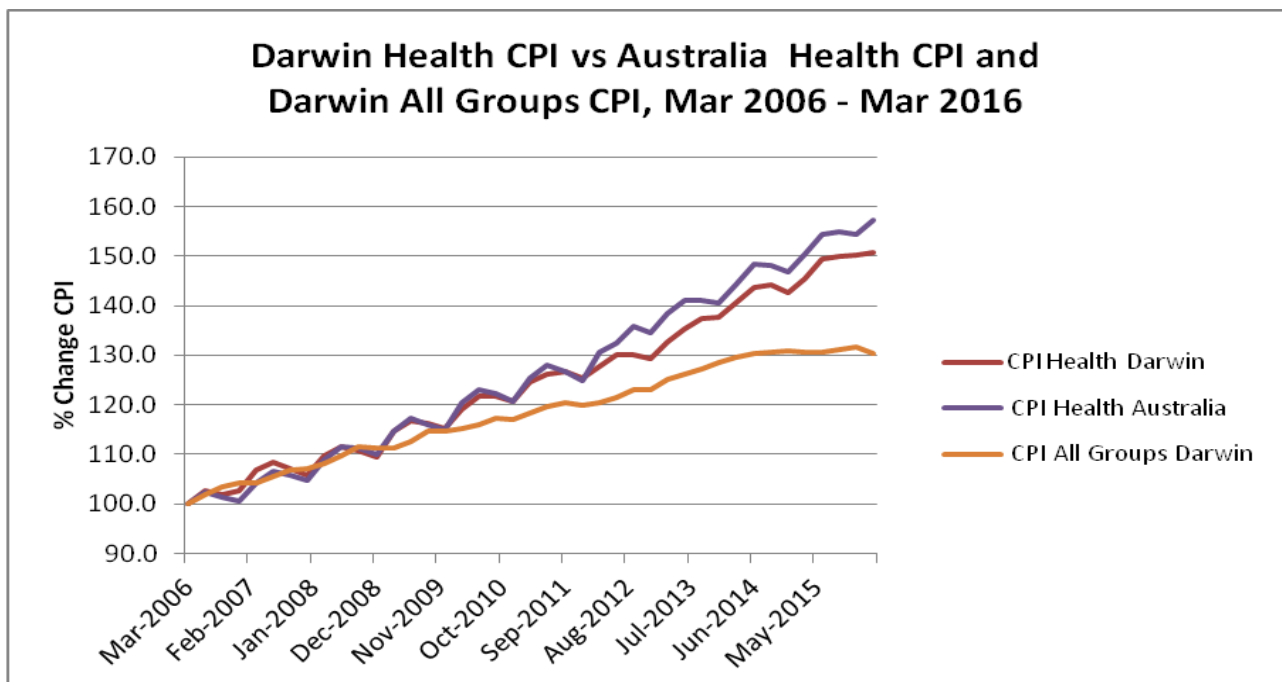


Source: ABS 2016e Data 1-6

### Comparison with the 'CPI All Groups' Darwin

When compared with generic 'All groups' CPI for Darwin, the CPI for health rose at a rate under the rate of the Darwin CPI (30.4%) over the past decade (ABS 2016e, see also Table 1).

**Figure 26 Change in CPI for Health for Darwin vs Australia March 2006 - March 2016**



Source: ABS 2016e Data 4, 5, 6



## Comment

The price of health care is an important cost of living expenditure area for many people in the Northern Territory. For households with one or more people with a chronic illness or an ongoing medical problem, expenditure on healthcare can be a major part of the household budget and can be a significant contributor to levels of poverty and disadvantage (SACOSS 2012a cited in NTCOSS 2014c, p.3).

Certain demographic groups are likely to spend more on health and be more vulnerable to the rises in health prices. National figures<sup>8</sup> demonstrate that in households where the primary source of income was the Age pension, health costs accounted for 11% of household expenditure, which is well above the 5.3% national average for all households (ABS 2011b, cited in NTCOSS 2014c, p. 4). (Specific figures for the Age pension are not available for Darwin or NT households).

Health costs impact disproportionately on people in the lower income brackets, despite the fact that higher income earners actually spend more on health care. This is because higher income households have much more room in their budgets to absorb price rises, than do low income earners. While bulk billing medical practices are quite prevalent in larger cities, it is not the case in parts of the Northern Territory, particularly for non-Aboriginal people, and this has a disproportionate impact on low income household (cited in NTCOSS 2014c, p.5).

Australian households in the lowest income bracket spent an average of 6.9% of household income on medical care and health expenses which is also above the all households average of 5.3% (ABS 2011b, cited in NTCOSS 2014c, p.4). One factor in this is that health problems can limit the ability of people to obtain and maintain a job and earn an income, and many people with chronic illness are reliant on the Disability Support Pension, or can only do part time or short term work. In addition, Disability Support Pension recipients may have to rely on family members or community organisations for financial support just to survive at times (ABS 2011b. cited in NTCOSS 2014c, p.4).

On top of the impact on cost of living issues, health care costs also directly impacts health outcomes for many people. For some people, where costs are prohibitive, they simply miss out on health and medical services. This may mean living with chronic discomfort and pain as well as, for some people, decreased mobility and life opportunity (SACOSS 2012).

Unfortunately, for far too many people having to make a decision about whether to visit a doctor or not – based purely on whether they can afford to pay – becomes a real decision they have to make. Recent figures from the Productivity Commission (2012 and 2016) show that that many people nationally defer visiting a General Practitioner (GP). In the Northern Territory, in recent years as many as 14.8% of Territory residents (2010-11) deferred visiting a GP due to costs (Productivity Commission 2012, p. E39), although this figure has come down to 4.1% in 2014-15 (Productivity Commission, Table 10A.37).

NTCOSS acknowledges the recent NT Government commitment, through the 2016/17 Budget for \$8.3m to go towards cardiothoracic and neurosurgical services in Darwin (NT Government 2016f, p.19). This will mean a number of people will no longer have to travel interstate to receive medical services and money will be saved on the NT Patient Assistance Travel Scheme (PATS). Gaps still remain in the PATS scheme, however, in particular the fact that there is no PATS cover for dental services even though dental services are simply not readily available in many remote areas of the NT.

NTCOSS has previously advocated for broad changes that would assist with the cost of living pressures associated with health, and highlight the following two areas for action.

## RECOMMENDATIONS

### That the NT Government

**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 the coverage of dental services.**

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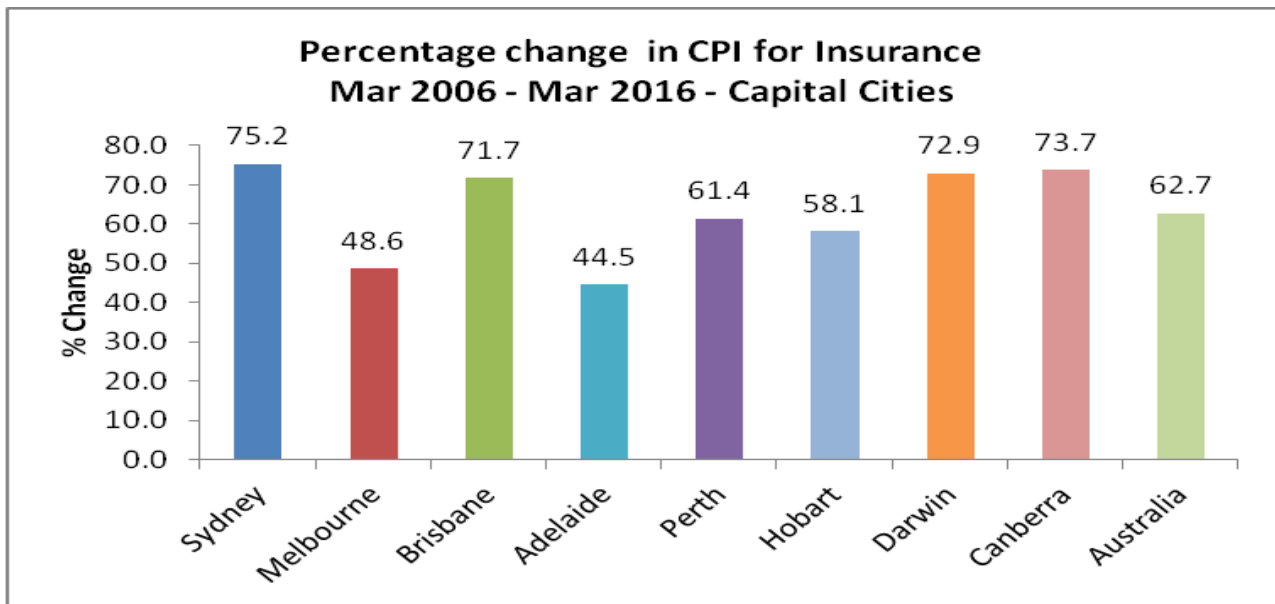
<sup>8</sup> The HES data does not disaggregate the NT data for welfare recipients – so have to rely on national figures

## 5 Insurance

### National Comparison

The CPI for insurance in Darwin rose 72.9% over the past decade, the third largest increase in the country for capital cities, slightly below the rise in the Sydney and Canberra, and above national average increase.

**Figure 27 Percentage change in CPI for Insurance Capital Cities between March 2006 and March 2016**

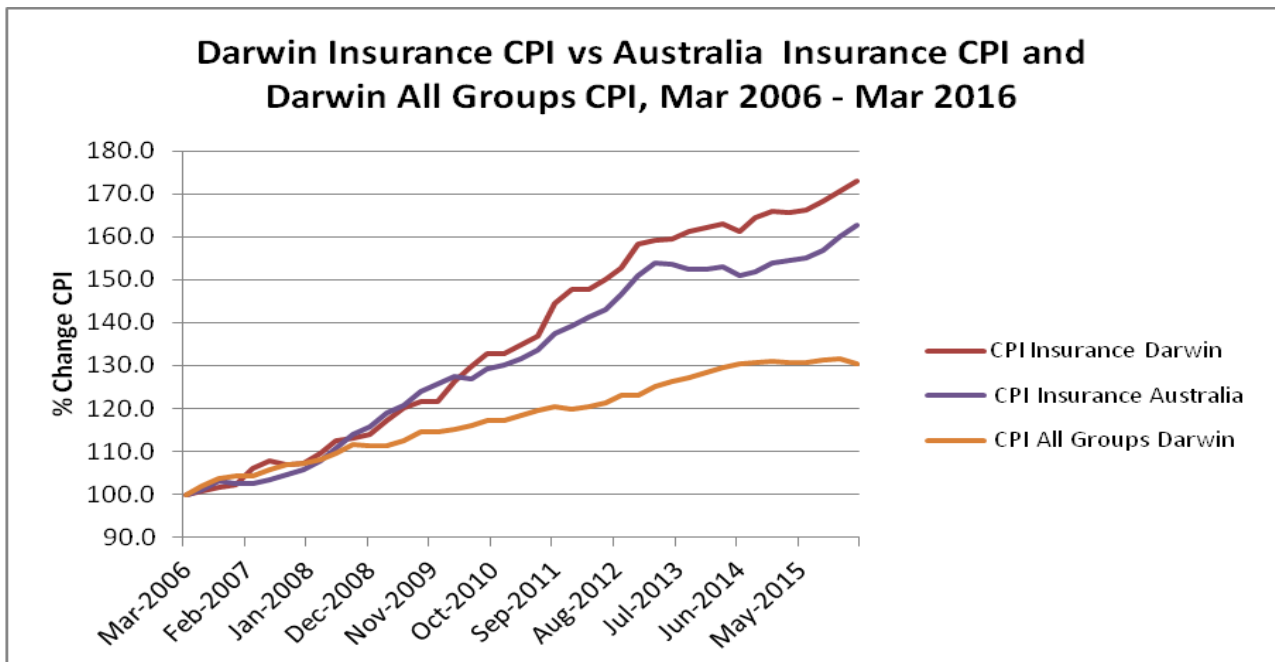


Source: ABS 2016e Data 1-6

### Comparison with the 'CPI All Groups' Darwin

When compared with generic 'All groups' CPI for Darwin, the CPI for insurance more than doubled the rate of the increase in the Darwin CPI (30.4%) over the past decade (ABS 2016e, see also Table 1).

**Figure 28 Change in CPI for Insurance for Darwin vs Australia March 2006 - March 2016**



Source: ABS 2016e Data 4, 5, 6

## **Comment**

The 2015 NTCOSS Cost of Living Report No. 10 on Insurance detailed the impact that the rises in costs of insurance would be having on low income and disadvantaged Territory households. This report highlighted that insurance is largely the domain of more affluent households. “Those, who due to their income earning capacity, can afford substantial levels of insurance are therefore able to protect themselves adequately to cover for a range of contingencies in terms of health needs, vehicle and property expenses, as well as catering for the needs of loved ones in the event of death” – whereas “low income households simply cannot insure themselves to the same extent” (NTCOSS 2015). This has the impact of contributing to a widening of the gap in terms of both health and financial wellbeing, between those who are well off and those who are not, leading many households to be under insured, therefore further reinforcing the vulnerability of low income households to financial stress.

According to Roy Morgan research released in 2012, cited in CHOICE (2014), “More and more consumers are forgoing household insurance altogether due to rising costs”. Not having insurance, however, can itself be a cause of financial stress; for example, if a car which does not have comprehensive insurance is written off after an accident, this will cause a major financial stress for that household.

### CHOICE 2014 Survey of Home and Contents Policyholders

A CHOICE survey of 1435 home and contents policyholders at a national level has highlighted that since late 2011, there have been significant premium price rises for home and contents insurance, mainly due to the addition of flood cover. CHOICE (2014) argues that the survey results back up “the contention that insurance companies have been using the flood cover issue as a pretext to raise revenue, get rid of customers, or both’. The Insurance Council of Australia (ICA) informed CHOICE that steep rises in premiums are due to “a wholesale reassessment of risk and an effort to renew the industry's capital reserves after one of the worst years on record [2011] and a resulting bad business outlook for the industry. “The industry was expected to pay out more than \$4.9 billion... compared with \$2.1 billion in 2010”, according to the ICA (CHOICE, 2014).

The ICA cite “individual risk levels and increasing costs of reinsurance” as other factors that impact insurance prices, but flood cover (which policyholders cannot opt out of) is not the only factor that has led to a “doubling or tripling of premiums” in some instances. “According to the ICA, it's also related to the industry's reshaping of risk assessment and attention to profit margins, irrespective of whether particular homes are at risk”, (CHOICE, 2014). A big issue in this is the lack of transparency, with companies have being coy about how they've determined the risk, and usually have not provided consumers a reason for the price increase. If a reason was given, it was almost always flood-related, however “Only a minority of policyholders who've seen a flood-related increase understand their properties to be at any risk of flood based on local government or other information”. (CHOICE, 2014). More transparency with home and contents insurance pricing is clearly needed.

NTCOSS therefore makes the following recommendations.

## **RECOMMENDATIONS**

**That both the Northern Territory and Commonwealth Governments:**

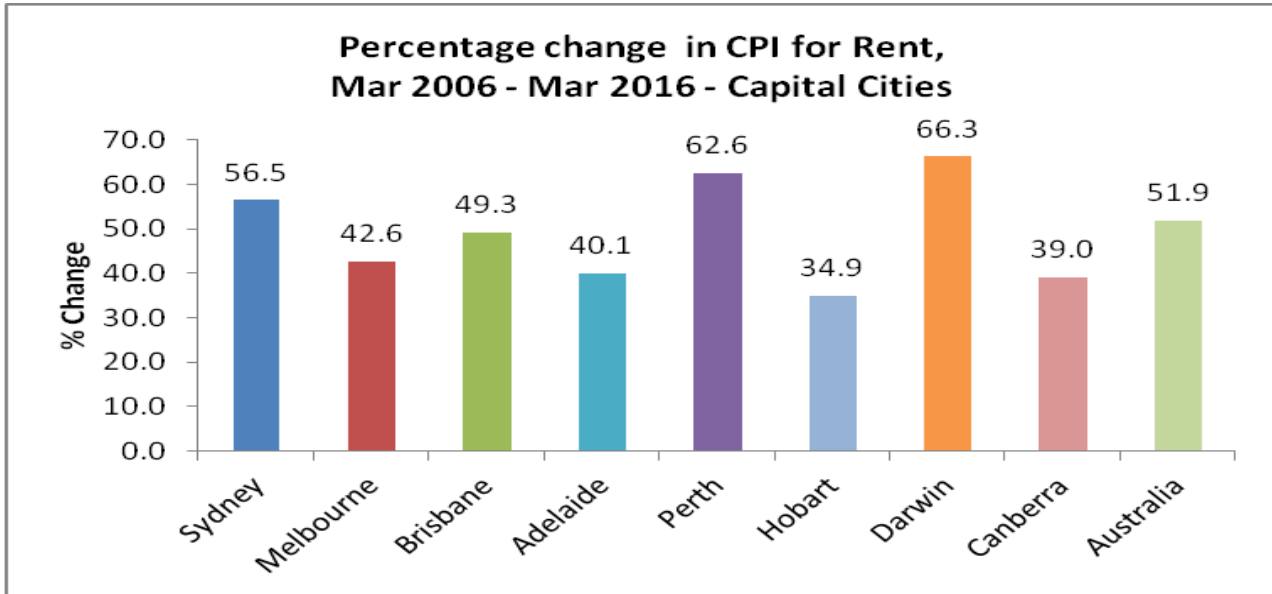
- 5.1 Adopt Recommendation 4 from the 2013 Senate Environment and Communications References Committee that disincentives to insurance, such as taxes and levies applied by the states and territories, should be removed as part of a national reform process.**
- 5.2 Increase the proportion of spending on risk mitigation initiatives relative to post disaster recovery and reconstruction.**
- 5.3 Implement Recommendation 8 from the SSCEC (2013) 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.**

## 6 Rent

### National Comparison

The CPI for rent in Darwin rose 66.3% over the past decade, the largest increase in the country for capital cities, despite the CPI for rent dropping slightly since March 2015. The rate of increase in the NT over the past decade was nearly 28% above the national average increase.

**Figure 29 Percentage change in CPI for Rent, Capital Cities between March 2006 and March 2016**

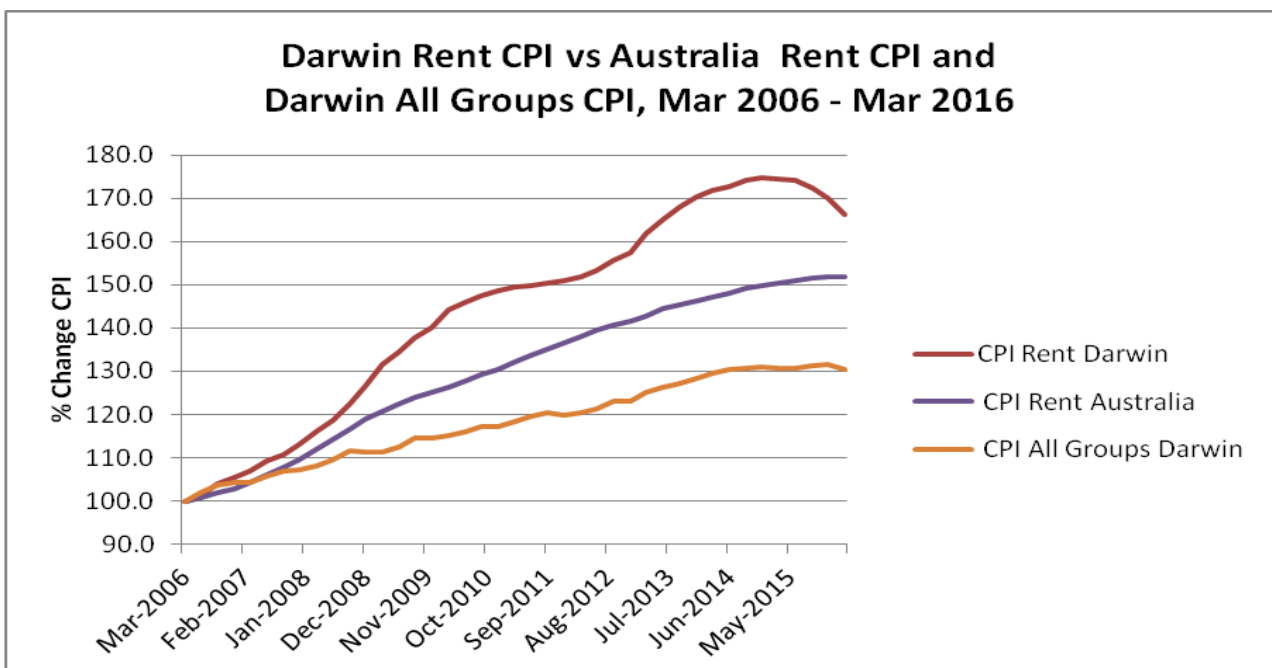


Source: ABS 2016e Data 1-6

### Comparison with the 'CPI All Groups' Darwin

When compared with generic 'All groups' CPI for Darwin, the CPI for rent more than doubled the rate of the increase in the Darwin CPI (30.4%) over the past decade (ABS 2016e, see also Table 1).

**Figure 30 Change in CPI for Insurance for Darwin vs Australia March 2006 - March 2016**

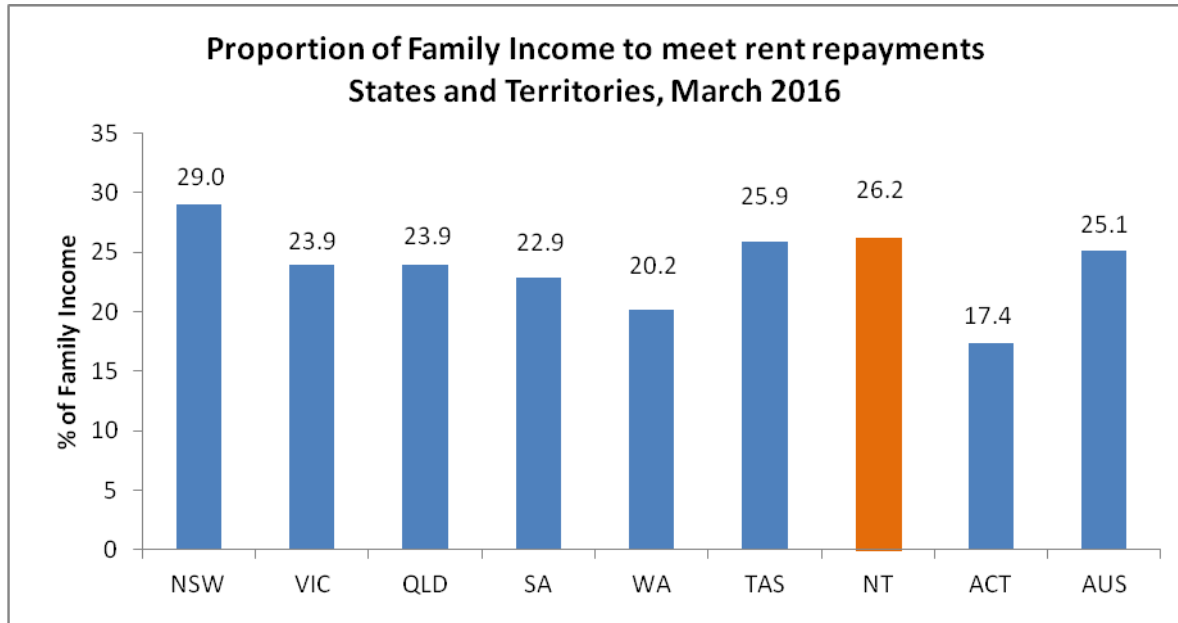


Source: ABS 2016e Data 4, 5, 6

**Comment**

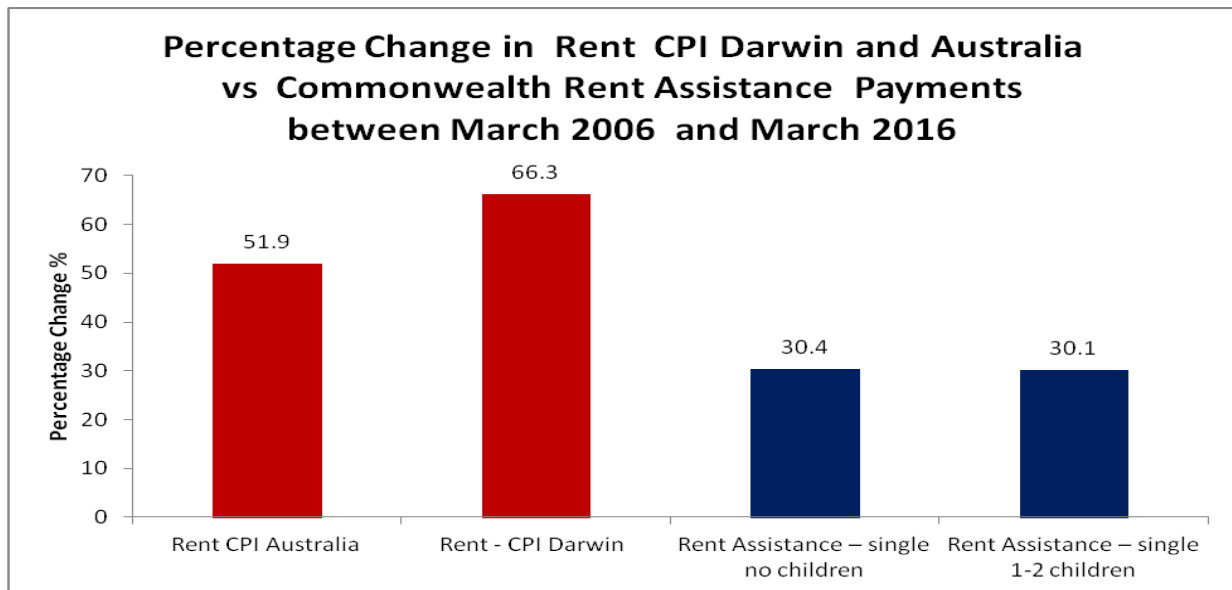
Rents in Darwin, and the Northern Territory have been historically high, and despite the slight dip in rent prices in Darwin over the past year – the rents still remain very high. Even though the Northern Territory displayed significant improvement in rental affordability over the last year or so, it was still **the second least affordable jurisdiction** in the country in which to rent a property in the March 2016 figures (Real Estate Institute of Australia/Adelaide Bank 2016, p.4), having been the least affordable jurisdiction as of December 2014 (Real Estate Institute of Australia/Adelaide Bank 2015, p.1).

**Figure 31 Rental Affordability in the NT: A National Comparison**



Source: Figures derived from Real Estate Institute of Australia/Adelaide Bank 2016, p. 4.<sup>9</sup>

**Figure 32: Comparison of Increase in Rental CPI vs Commonwealth Rent Assistance between March 2006 and March 2016**



Source: ABS 2016e, Centrelink 2006, p. 3, 23; Centrelink 2016, p.5, 37.

<sup>9</sup> Note: “The Australian weighted average median rent for three-bedroom houses is calculated using Census data and median rents published in REIA Real Estate Market Facts” (REIA 2015, p.3)

“Median Weekly Family Income: A family is defined as a married couple with or without dependent children. The major part of family income is adult wages and salaries. Income data are sourced from ABS records and updated on the basis of movements in average weekly earnings” (REIA 2015, p.1).

NTCOSS acknowledges that the NT Government has committed to increasing land supply and a range of other initiatives to increase housing affordability for Territorians (NT Government, 2016e, p.3), however a number of other policy and operational changes are urgently required to address issue of housing availability - particularly rental properties. In this light NTCOSS supports the recommendations contained in the NT Shelter Pre-Budget Submission to the NT Government, “Key Messages from the NT Shelter 2016/17 *Pre-Budget Submission*’ and highlights two of these recommendations here

## **RECOMMENDATIONS**

**That the NT Government adopts the following**

### **6.1 NT Shelter Recommendation (4):**

- 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).**

### **6.2 NT Shelter Recommendation (5):**

**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 In addition, NTCOSS recommends the following that the Commonwealth Government**

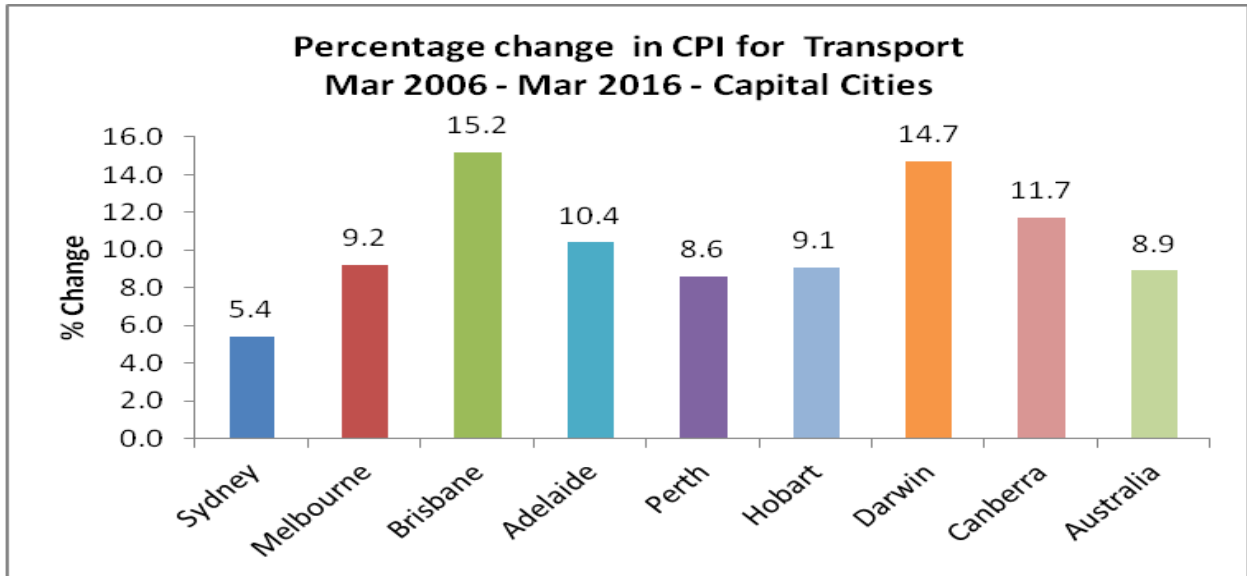
**Increase and index Commonwealth Rent Assistance to match rises in rental prices – taking into account regional differences.**

## 7 Transport

### National Comparison

The CPI for transport<sup>10</sup> in Darwin rose 14.7% over the past decade, the second largest increase in the country for capital cities, and above the national average of 8.9%.

**Figure 33 Percentage change in CPI for Transport, Capital Cities between March 2006 and March 2016**

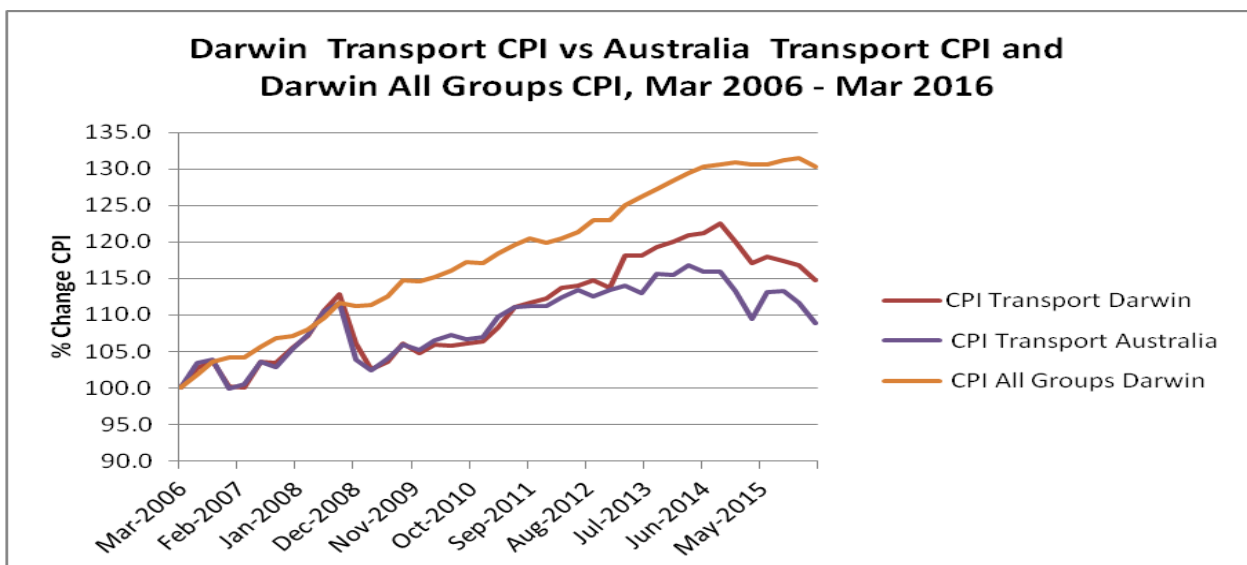


Source: ABS 2016e Data 1-6

### Comparison with the 'CPI All Groups' Darwin

When compared with generic 'All groups' CPI for Darwin, the CPI for transport rose at slightly less than half the rate of the increase in the Darwin CPI (30.4%) over the past decade (ABS 2016e, see also Table 1). The drop in the CPI for transport over the last two years was largely due to the drop in fuel prices in Darwin (as discussed above).

**Figure 34 Change in CPI for Transport for Darwin vs Australia March 2006 - March 2016**



Source: ABS 2016e Data 4, 5, 6

<sup>10</sup> The CPI Transport Category covers the following sub areas of expenditure:

Motor Vehicle (Purchase); Spare parts and accessories for motor vehicles; Automotive Fuel; Maintenance and repair of motor vehicles; Other services in respect of motor vehicles and Urban Public Transport (ABS 2011a, Table 1)

## **Comment**

While there has been a drop in the CPI for transport in recent years, there are still some areas of transport costs which contribute to cost of living pressures for many low income and disadvantaged Territorians. One of these areas is motor vehicle registration (including compulsory third party insurance), which be a large bill, and for people eligible for the pension concession on registration costs, the concession is not indexed so cannot keep up with annual increases in fees for vehicle registration (see Concessions RECOMMENDATIONS on p.31).

In addition, the lack of an adequate transports system for the many in the NT, as highlighted in the NTCOSS cost of Living Report No. 3 on Transport (NTCOSS 2014a, p. 15) contributes to a perpetuation of poverty, social exclusion and disadvantage for thousands of Territorians. Affordable transport services must be established which meet the needs of all Territorians, so all can participate fully in social and community life. The recent announcement by the Northern Territory Government of the investment in expanding regional bus services with the commencement an intra-town bus service to commence in Wadeye is a very encouraging development (NT Government 2016c, p.1).

In addition the NT Government investment in the intra-town services in Tennant Creek (Tennant Creek Transport) and Gove (Gove Peninsula Bus Service) and now Wadeye in terms of subsidies for services are critical in terms of sustaining these services. NTCOSS supports further investment in services such as these, and is also encouraged that the NT Government is also supporting a partnership between Tiwi Enterprises and Bodhi Bus to soon commence regular services on Melville Island (NT Government 2016c, p.1).

A range of solutions are required to address the high expenditure on transport costs borne by Territorians facing transport disadvantage. NTCOSS (2014b) made several recommendations in a submission to the Northern Territory Government Transport Roadmap consultation; and highlights the following recommendations from that submission.

## **RECOMMENDATIONS**

### **That the NT Government**

- 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<sup>11</sup> options in order for 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.**

*See also recommendations related to Transport under Concessions below*

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<sup>11</sup> 'Community Transport' initiatives are usually run by community based, locally driven, not-for profit organisations which set out to meet needs that conventional public transport does not, and which provide choice and flexibility to respond to passengers' needs.



## Concessions

A range of Federal and State government concessions and payments are made available to eligible households, and are designed to provide assistance with certain essential living costs. Most concessions are managed at the state or territory government level, with some at the Commonwealth level. Eligibility for a number of concessions is linked to prior eligibility to a Commonwealth concession card, while other concessions are subject to a means test or an income test – and generally targeted to specific groups such as people with disability, seniors and/or low income households. Such concessions are generally provided in addition to income support payments. There are however some concessions made available to people who are not in receipt of an income support payment.

NTCOSS' June 2015 Cost of Living Report No. 8 examined whether income support payments and concessions are keeping up with rises in key expenditure areas for low income and disadvantaged households in the NT - such as housing, utilities, transport and health. This report can be accessed via: <http://www.ntcoss.org.au/wp-content/uploads/2014/09/NTCOSS-Cost-of-Living-Report-No.-8-Concessions.pdf>. NTCOSS made a number of recommendations in the aforementioned report related to the structure of concessions.

While the NTPCCS is a very effective scheme for those who meet the eligibility criteria, NTCOSS is particularly concerned that there are many low income Territorians, however, who miss out on concessions, due to the tight eligibility criteria. As discussed in relation to utilities and concessions above, the NT is out of step with nearly all of the other states and the ACT – who make concessions available to all Health Care Card holders. The NTPCCS scheme does extend to people with a Health Care Card Low Income as well as a Commonwealth Seniors Health Card (NT Government 2016d) – but does not, for example, cover someone who receives the Newstart Allowance or Youth Allowance.

NTCOSS also believes that it is imperative that there be a consistent approach across all concessions in terms of reviews of the way concessions are working, as well as regular indexation built in, where the structure requires it, in order to keep pace with price rises.

The Motor Vehicle Registration Concession (under the NTPCCS) is a clear case in point. This concession has not been increased since July 2009. The value of the concession of \$77 for 6 months (or \$154 for 12 months) has nearly been eroded by the price increase over this period. The 6 month registration fees for a small vehicle (4 cylinder, engine size of 1001-1500cc) have risen from \$270.15 (July 2010) to \$337.10 (January 2016) which is an increase of \$66.95; while for a larger vehicle (4 cylinder, engine size of 2001-3000cc) the fees have risen from \$281.15 (July 2010) to \$356.60 (January 2016) which is an increase of \$75.45 (NT Government 2010b, p.1; NT Government 2016b p.1; NT Government 2016d, p.37). This means that the value of the concession has almost been completely wiped out when compared with 6 years ago

## RECOMMENDATIONS

NTCOSS therefore makes the following recommendations, that the NT Government:

- 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, the private accommodation subsidy, and the fuel subsidy**
  - **The NT Taxi Subsidy Scheme (NTTSS).**

## Cost of Living changes for Income Support Recipients over the past year

The ABS Selected Living Cost Index (SLCI) breaks down expenditure into a number of different household types (ABS 2016a). In this section of the report the focus is primarily on the “Age pension” 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. Note that the rate for the Disability Support Pension is exactly the same as the Age Pension rate, but for simplicity reference is generally made to the Age Pension throughout this report.

**Table 4: Increases in Living Costs – comparing the SLCI (Selected Groups) vs CPI National Figures for the past year (March 2015 - March 2016)**

	% Change over past year
SLCI – Age Pensioner	0.8%
SLCI – Other Government Transfer Recipient	1.1%
SLCI - Employee	1.1%
CPI – All Groups Australia	1.3%

Source: SLCI Figures taken from ABS (2016a) and ABS (2016d) Data 4, 5, 6

Where an income support payment is the sole income source of a recipient, who is invariable on a very small income, setting aside a significant amount of the weekly benefit to be saved is a very difficult task. 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 5.

**Table 5: Cost of Living Change for Income Support Recipients March 2015 – March 2016, Australia**

	Base Rate* Benefit per week (19 March 2015)	Base Rate* Benefit per week (19 March 2016)	Selected Living Cost Index change %	Amount per week increase in ‘cost of living’ \$	Amount per week increase in base payment rates \$
<b>Aged Pensioner</b>	\$427.15	\$433.50	0.8%	\$3.42	\$6.35
<b>Newstart single – no children</b>	\$262.20	\$266.10	1.1%	\$2.88	\$3.90
<b>Newstart single – 2 children &amp; FTB A &amp; B</b>	\$542.72	\$551.26	1.1%	\$5.97	\$8.54

Sources: Centrelink 2015 & Centrelink 2016; 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 5, as these can vary from person to person.

Assuming all weekly income has been spent:

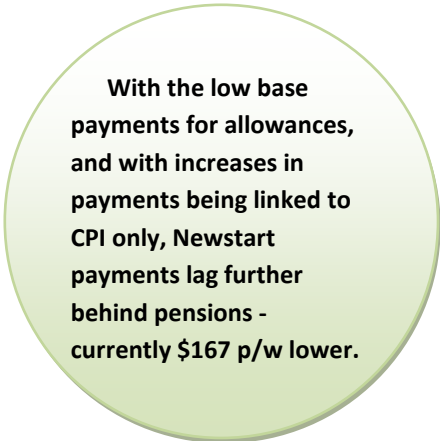
- For **pensioners**, the cost of living over the last year increased by \$3.42 per week, which again more than covered by the increase in the base rate of the pension of \$6.35 per week over the same period.
- or **single people on Newstart**, the cost of living rose by \$ 2.88 per week, while the base Newstart rate (including Energy Supplement) rose by \$3.90 per week, only just covering the increase in living costs
- For **sole parents with 2 children**, receiving Newstart and FTB (A & B), the cost of living rose by \$5.97 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, and this represent some good news, and points to a slight easing of cost of living pressures.

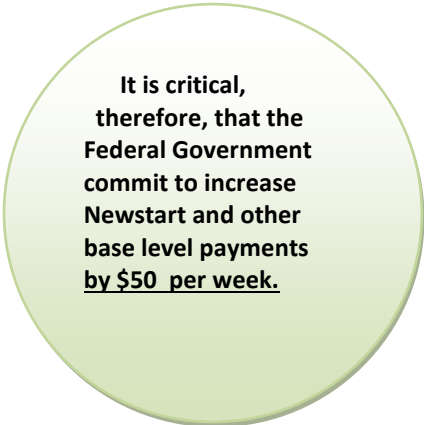
For people on Newstart and Youth Allowance, however, it must be noted that these recipients are starting from an already inadequate base rate, so while their payments are currently keeping up with the increase in costs of living, their low income means that difficult decisions have to be made constantly about what living expenses can met. Living on \$266.10 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<sup>12</sup> (\$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 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).

The inadequate indexing system for Newstart allowance and other base level benefit allowances, where increases are linked 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 linked 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.**

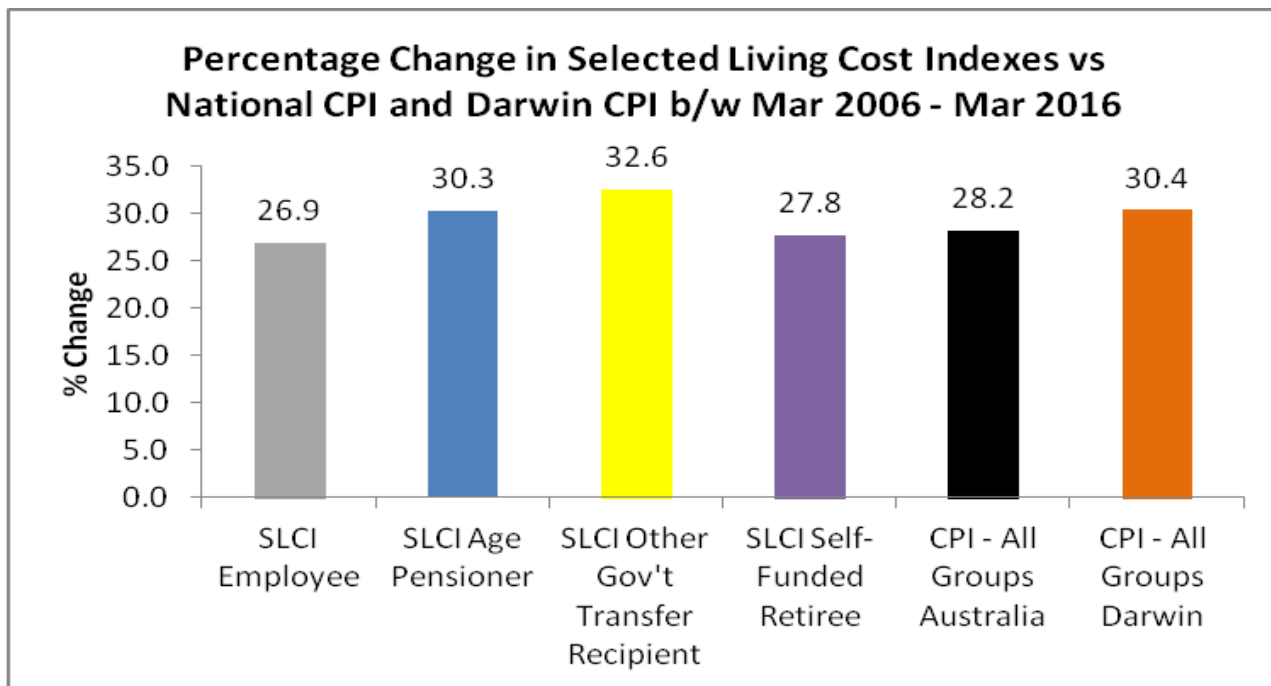
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<sup>12</sup> \$656.50 is the minimum wage for the period 1 July 2015 – 30 June 2016

### Cost of Living Changes over the past ten years

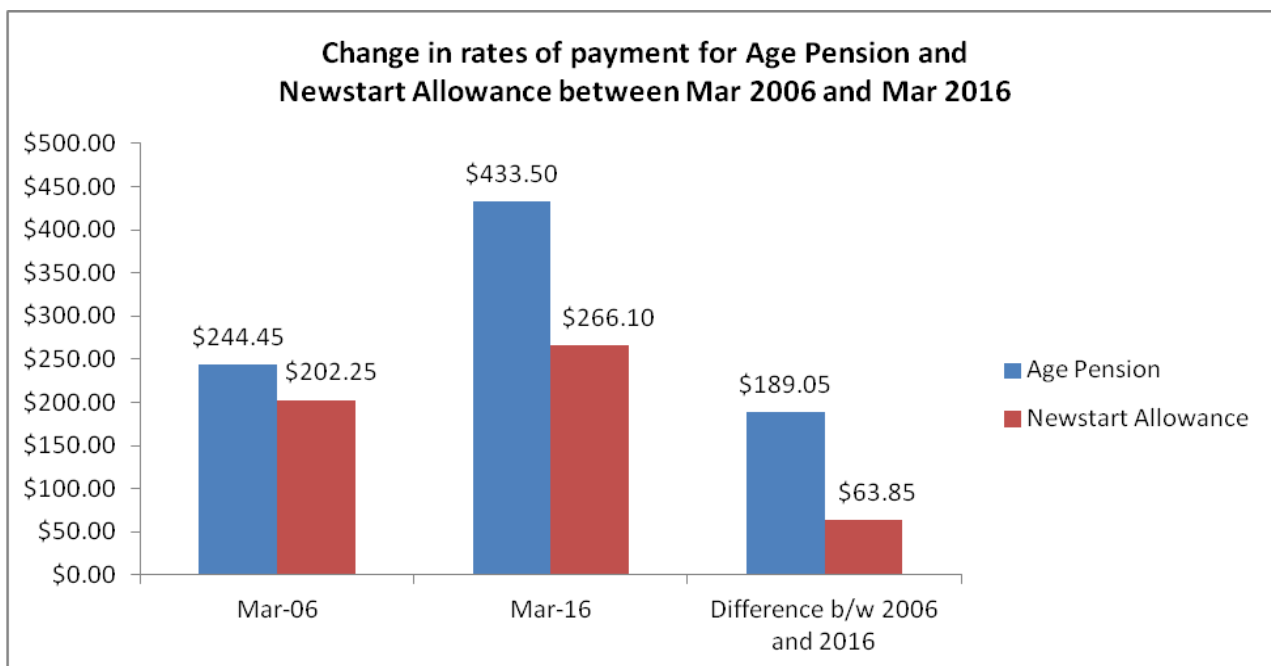
The following figures shows that the SLCI increase was highest for people on other government welfare payments (32.6%), over the past ten years – and it is these households who receive the lowest income out of all of the groups listed in Figure 35. This means that the cost of goods is going up highest for those who can least afford it.

**Figure 35 Percentage Change in the Selected Living Cost Indexes vs National and Darwin CPI, between March 2006 and March 2016**



Source: Figures derived from ABS 2016f and ABS 2016e Data 4, 5, 6

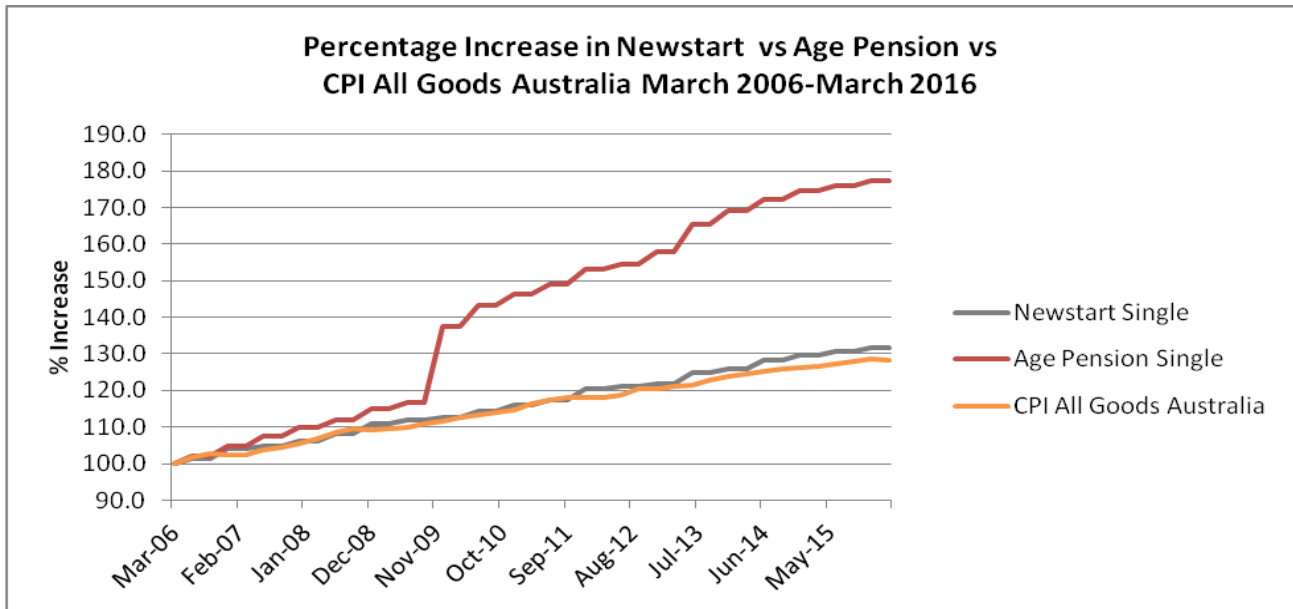
**Figure 36 Changes in payment rates for Age Pension and Newstart Allowance over the past ten years**



Source: Figures derived from Centrelink 2006, Centrelink 2016

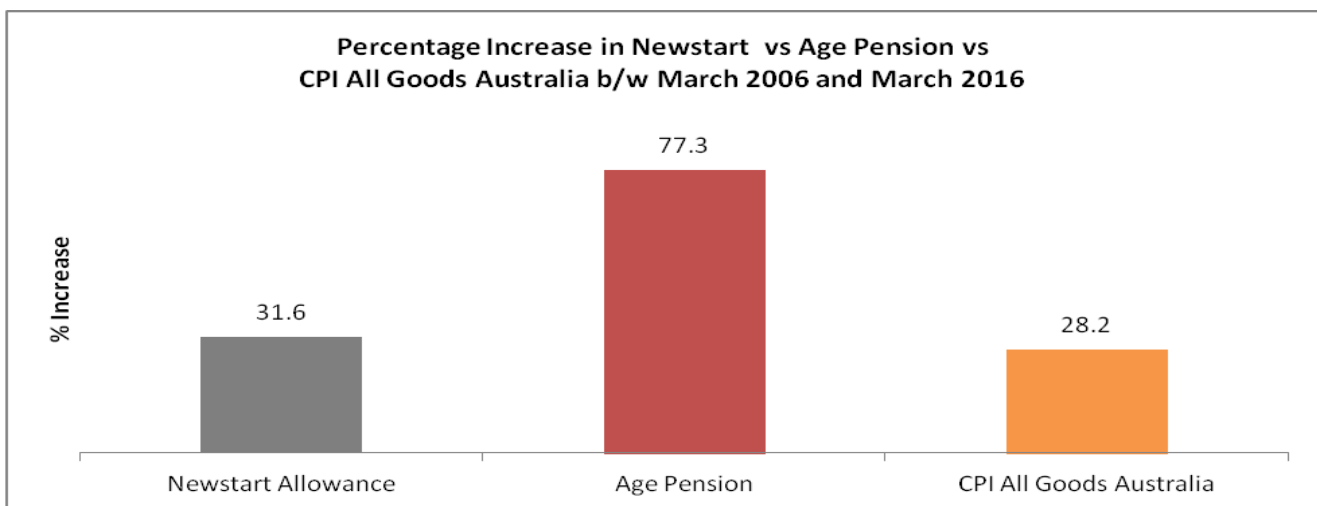
The figures above and below demonstrates the stark difference in the indexation system for people who receive the Age Pension compared with someone receiving Newstart. There is a staggering difference of \$167 per week between the Age pension and what someone on Newstart receives (this pension figure includes the pension concession supplement of \$32.25). The base rate Age Pension has risen at nearly two and a half times the rate of the Newstart payment over this period (77.3% vs 31.6%). The rate of increase in the Age Pension (which is also the rate for the Disability support Pension) over the past decade represents good news for recipients of these payments.

**Figure 37 Percentage Increase in the Newstart Allowance vs the Age Pension March 2006-March 2016**



Source: Centrelink 2006 - Centrelink 2016, ABS 2016e Data 6

**Figure 38 Comparison of percentage increase in Newstart payment vs Age Pension between March 2006 and March 2016**



Source: Centrelink 2006 - Centrelink 2016, ABS 2016e Data 6

As Figures 37 and 38 show, the Newstart Allowance has risen slightly higher than the CPI 'All groups' Australia – against which it is indexed, however as this report has articulated, 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.

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 by \$50 per week.

## **RECOMMENDATION**

**That the Commonwealth Government**

**9.1 Increase the base rate of the Newstart Allowance by \$50 per week.**

## **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 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, 2016b) 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 5

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).

**Table 6a Weekly Payment Rates at 19 March 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	\$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



**Table 6b Weekly Payment Rates at 19 March 2016\***

	Base Rate	Pension Supp	Energy Supp*	FTB A child u13	FTB A child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
<b>Aged Pension - single</b>	\$394.20	\$32.25	\$7.05					\$433.50
<b>Newstart – single, no children</b>	\$261.70		\$4.40					\$266.10
<b>Newstart – single, 2 children</b>	\$283.15		\$4.75	\$89.88	\$116.97	\$53.41	\$3.10	\$551.26

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 children under 13 y.o.; and one child b/w 13-15 y.o.).

\*In some 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 5. These payments are now referred to as the 'Energy Supplement'.

## 5. Initiatives to bring the price of fruit and vegetables down in remote areas

There have also been a number of other positive initiatives, which are addressing food price and availability issues highlighted in the NTCOSS Cost of Living Report No.6 (Food), NTCOSSS 2014d, p. 14-15):

- 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).

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