

COST OF LIVING REPORT

June 2018

Issue
20

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

Part 1: CPI & SLCI Update and Concessions





About NTCOSS

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

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

NTCOSS' vision is for

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

NTCOSS' mission is

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

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

NTCOSS Cost of Living Report - Issue No. 20 (Part 1), June 2018

First published in July 2018 by the Northern Territory Council of Social Service Inc.

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INTRODUCTION

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

The report focuses on price changes in key expenditure areas, using Darwin, regional NT, NT wide and national figures. The report includes an analysis of changes in the CPI for Darwin across a range of key expenditure areas – covering the basic essentials for low income households, which make up the majority of, or even all of, the expenditure items for these households. It is the price increases in those areas that will have a greater negative impact on these households and will be a focus in this report.

It is important to note that CPI figures only reflect trends for capital cities and Australia as a whole and, cannot tell us about trends in price movement for states and territories, nor for regional areas.

The report therefore also draws on regional information around fuel prices and housing costs for example, using data from the Northern Territory Government (Economic Briefs) and the Real Estate institute of the Northern Territory.

This report also examines the Selected Living Cost Index (SLCI), which is calculated for particular household types, and is done for the country as a whole – and provides information on cost of living changes for specific income groups.

The report examines the SLCI figures in the context of income support payment to determine if they are keeping pace with rising living costs. The Living Cost Indexes (LCIs) have been designed to answer the question: “By how much would after tax money incomes need to change to allow households to purchase the same quantity of consumer goods and services that they purchased in the base period?” (ABS 2018a).

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

NOTE: A second part to this report will be released in due course, which will have a specific focus on housing costs in the Northern Territory.

REPORT SUMMARY

Consumer Price Index (CPI), Regional Data and Selected Living Cost Index (SLCI)

The Consumer Price Index (CPI) has remained low in Darwin across the last year (1.0% vs national CPI increase of 1.9%), with increases in automotive fuel prices (6.7%), hospital and medical services (4.3%) and household gas (4.1%) – while rents have again decreased (-6.0%).

Regional data also reveals that unleaded fuel and diesel prices have increased across the whole of the Northern Territory in the past year; while rents have generally decreased in the top end, they have increased in Alice Springs – particularly for 4-bedroom houses (up 6.7%, and units/townhouses where 1,2 and 3-bedroom units have all risen by over 7% over the past year (REINT 2018, p.24,25). In addition, house prices have largely fallen across the NT.

The rate of increase in cost of living (SLCI) for people on Centrelink Income Support Payments has risen at a faster rate than the rate of rise in payments, especially for Single Newstart recipients with children, with the cost of living rising for Newstart recipients with 2 children rising by \$8.11 per week (around \$423 per year), over the past year.

Newstart and Youth Allowance payments also continue to lag behind pensions - \$170 and \$220 lower per week respectively. NTCOSS reiterates its call for the Federal Government to increase the rate of Newstart and other Allowance payments to be increased by \$75 per week.

Concessions:

While supportive of the structural change to the previous NT Pensioner and Carer Concession Scheme (NTPCCS), with an NT concession scheme separate to a newly established Seniors Recognition Scheme, NTCOSS is very concerned that many low-income individuals will be excluded from the new scheme.

NTCOSS is particularly concerned that groups that used to be eligible for the scheme – i.e. people with a Low-Income Health Care Card, those on Carers Allowance, and some people who are eligible for the Pensioner Concession Card (e.g. people on Newstart with a partial capacity to work) will be ineligible for the new scheme, unless they are already on it.

NTCOSS believes that further reforms around eligibility are warranted and recommends a review of the eligibility of the previously included groups that will be excluded from the new scheme (unless they were already on the previous NTPCCS prior to 8 November 2017).

NTCOSS has also been advocating for electricity concessions to be extended to all Centrelink Health Care Card holders. This report makes the point that electricity bills effectively have a regressive tax component, given that the Power and Water Corporation and Jacana are required to provide a Public Authority Dividend (PAD) to the NT Government each year (\$23.6M) for electricity as well as water. The PAD comes from revenue raised from household usage charges which are applied at the same rate regardless of the household's income.

The higher a household's bill, the higher their effective contribution to the PAD charges will be, and these contributions represent a greater proportion of household income (regressive) for low-income households. The provision of an electricity concession to low-income households effectively provides tax relief for these eligible households, by compensating for the higher tax component they are contributing – but only some, not all, low-income households, receive this tax relief. NTCOSS believes further exploration of this issue is required.

PRICE CHANGES, LIVING COST INDEXES, INCOMES AND CONCESSIONS

Price Movement in Goods and Services in Darwin

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













Darwin	↑	0.0%	vs Australia	↑	0.4% (in last quarter - to March 2018)
Darwin	↑	1.1%	vs Australia	↑	1.9% (over past year – to March 2018)

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

Increases in Darwin over past 12 months	Decreases in Darwin over past 12 months
<i>Automotive fuel</i> ↑ 6.7% vs Australia ↑ 6.1%	<i>Audio, visual and computing equipment</i> ↓ 10.2% vs Australia ↓ 8.8%
Transport ↑ 5.7% vs Australia ↑ 2.9%	<i>Vegetables</i> ↓ 8.5% vs Australia ↓ 5.7%
Education ↑ 4.7% vs Australia ↑ 3.2%	Rent ↓ 6.0% vs Australia ↑ 0.8%
<i>Hospital and medical services</i> ↑ 4.3% vs Australia ↑ 5.3%	<i>Telecommunication & equipment/services</i> ↓ 4.2% vs Australia ↓ 3.7%
<i>Gas and other household fuels</i> ↑ 4.1% vs Australia ↑ 10.0%	<i>Audio, visual, computing equipment/services</i> ↓ 5.8% vs Australia ↓ 5.0%
<i>Insurance</i> ↑ 3.9% vs Australia ↑ 3.3%	Communication ↓ 3.9% vs Australia ↓ 3.4%
Health ↑ 3.3% vs Australia ↑ 4.2%	
<i>Secondary Education</i> ↑ 6.9% vs Australia ↑ 3.3%	
<i>Tobacco</i> ↑ 13.1% vs Australia ↑ 14.5%	

Source: ABS 2018c Table 10 Data 4, 5, 6

Table 1c: Changes in CPI Darwin vs National over the past year (to March 2018)

Increases in Darwin over past 3 months	Decreases in Darwin over past 3 months
<i>Secondary Education</i>  6.9% vs Australia  3.3%	<i>Audio, visual and computing media and services</i>  5.3% vs Australia  6.1%
<i>Automotive fuel</i>  6.2% vs Australia  0.9%	<i>Fruit</i>  4.2% vs Australia  2.7%
<i>Pharmaceutical Products</i>  5.8% vs Australia  5.6%	<i>Audio, visual and computing equipment</i>  2.9% vs Australia  2.9%

Source: ABS 2018c, Table 11, Data 4, 5, 6

Note for Figures 1b and 1c, major CPI categories are displayed in bold; with the sub-categories not in bold. See Appendix A for list of all CPI Categories, showing price movement in the NT and Australia for the past year.

Impact of rising CPI in Darwin on Low-Income Households

Petrol, Gas and Insurance costs all up in Darwin over the past year

Low growth in the overall CPI for Darwin (CPI All groups), well under the national increase, has occurred over the past year (1.1% vs 1.9%). This figure represents an average figure, which is affected by changes both up and down amongst the CPI sub-categories. In the past year there have been some significant rises in areas which particularly impact on low-income Territorians.

The price of **automotive fuel** has risen by 6.7% in Darwin over the past year (vs 6.1% rise nationally and was the main driver of the 5.7% increase in transport costs (vs 2.9% nationally). The rise in fuel costs puts further cost of living pressure on motorists from low-income households both in Darwin (as well as across the NT, where fuel prices are generally even higher – see Tables 2a and 2b below). Other notable increases in CPI occurred for **education** (4.7%, vs 3.2% nationally). In particular secondary education increased by 6.9%. **Hospital and medical services** (4.3% vs 5.3% nationally), **gas and other household fuels** (4.1%, below the national rise of 10.0%), and **insurance** 3.9% (vs 3.3% nationally) also rose.

These price rises in key expenditure areas like fuel, health and gas **have a greater impact on cost of living for low-income and disadvantaged households**, as expenditure on these items takes up a greater proportion of their weekly income.

There has been a decrease in **audio, visual and computing equipment** (down 10.2% vs down 8.8% nationally), and the price of **vegetables** (down 8.5 vs down 5.7% nationally), as well as

rent (down 6.0%), which was against the national trend which saw rent rise slightly (0.8%).

The CPI for rent in Darwin has dropped for 13 consecutive quarters (ABS 2018c), but for some Darwin households rental prices are still out of reach, as evidenced by a recent Rental Affordability Snapshot (Anglicare 2018), which highlighted that rent prices continue to place strain on many lower income households in the NT, especially those reliant on Centrelink payments. Additional to this is the fact that the decrease in the CPI for rent in Darwin is not reflective of what is occurring across the whole of the NT, as REINT data reveals that rent prices in Alice Springs have risen for all housing types over the past year (see Table 3a below).

Snapshot of Cost of Living Changes in the NT (Incl. regional NT and Darwin suburbs)

Fuel Prices

Table 2a Fuel Prices across the NT – January to May 2018 – Unleaded Fuel and Diesel

Unleaded Petrol	Average retail price (cents per litre) for January 2018*	Average retail price (cents per litre) for May 2018	Price change from January 2018 (cents per litre)
Location			
Darwin	150.2	151.0	+0.8
Alice Springs#	176.9	180.7	+3.8
Katherine#	163.1	168.4	+5.3
Tennant Creek#	183.9	188.7	+4.8
NT Average^	156.7	158.4	+1.7
Australian Average^	138.9	146.9	+8.0

Diesel	Average retail price (cents per litre) for Jan 2018	Average retail price (cents per litre) for May 2018	Price change from Jan 2018 (cents per litre)
Location			
Darwin	146.8	150.0	+3.2
Regional Average*^	172.8	178.0	+5.8
NT Average^	157.0	161.0	+4.0
Australian Average^	138.8	149.8	+11.0

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

#Includes surrounding areas/regions; ^Weighted average

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

MyFuel NT retail fuel price reporting and minimum standards for fuel price boards scheme established by the NT Government in November 2017, has now been in place for over six months. Examination of price data shows that **prices have risen in all regional areas of the NT**, for both unleaded fuel and diesel between January and May 2018 (see Tables 2a and 2b).

MyFuel NT can play a really important role in terms of transparency of fuel prices, and NTCOSS will continue to monitor fuel prices in the NT, given their impact on cost of living pressures.

Table 2b Fuel Prices for the NT vs Australia Year ending March 2018 - Unleaded Fuel & Diesel

	March 2017 (cpl)	March 2018 (cpl)	Price change (cpl)	% Change
Unleaded Fuel				
Northern Territory	137.9	155.5	17.6	12.8%
Australia	128.6	135.6	7.0	5.4%
Diesel				
Northern Territory	131.6	158.6	27.0	20.5%
Australia	129.8	138.6	8.8	6.8%

Source: NT Government 2017a, p. 1,2; Source: NT Government 2018b, p. 1,2

Housing & Utilities Price Movement

This regional data show that while rents have generally decreased in the top end, they have increased in Alice Springs over the past year. The cost of renting a 4-bedroom house (new listing) in Alice Springs has increased 6.7%; and 1,2 and 3-bedroom units have all risen by over 7% over the past year (REINT 2018, p.24,25). In addition, house prices have generally fallen across the NT – with most decreases in the Top End being around 10% or higher; while the falls have been lower in Alice Springs. Prices have plummeted in Tennant Creek, decreasing 40.6%.

Table 3a Housing Price changes over the past 12 months – Regional Areas

Year Ending March 2018	Palmerston	Katherine	Alice Springs	Tennant Creek*
Residential Housing - Median Sales Prices				
Residential House	-8.2%	-11.2%	-4.2%	-40.6%
Residential Unit/Townhouse	-7.1%	N/A*	-5.1%	N/A*
Rental Housing - Median Weekly Prices				
3 BR House Rental Prices	-2.2%	-6.8%	2.0%	N/A
4BR House Rental Prices	-3.5%	-3.8%	6.7%	N/A
1BR Unit/Townhouse Rental Prices	0.4%	1.9%	7.1%	N/A
2BR Unit/Townhouse Rental Prices	-2.9%	-3.1%	7.6%	N/A
3BR Unit/Townhouse Rental Prices	-7.0%	-7.9%	7.1%	N/A
Utilities ^ (Darwin CPI figures)				
Electricity	0.5%	0.5%	0.5%	0.5%
Water & Sewerage	0.5%	0.5%	0.5%	0.5%

Additional Information: A/Springs 2BR house rental prices **went up by 12.5%** (2BR house figures n/a in other areas)

*There were no sales of residential units/townhouses in Katherine or Tennant Creek in the March 2018 quarter

REINT 2018, p.5,6,24,25; ABS 2018c Table 10, Data 4.

Table 3b Housing Price changes over the past 12 months – Darwin & Suburbs

Prices	Inner Darwin	Darwin North Coastal	Darwin North East	Darwin North
Residential Housing - Median Sales				
Residential House	3.0%	-3.4%	-10.6%	-13.2%
Residential Unit/Townhouse	-8.9%	-27.9%	-10.1%	-9.3%
Rental Housing - Median Weekly Prices				
3 BR House Rental Prices	-6.7%	-1.0%	-2.2%	-4.3%
4BR House Rental Prices	-6.7%	-3.7%	35.0%	0.0%
1BR Unit/Townhouse Rental Prices	-5.9%	-7.4%	-12.0%	-27.4%
2BR Unit/Townhouse Rental Prices	-4.4%	-6.7%	8.6%	-5.6%
3BR Unit/Townhouse Rental Prices	-4.3%	-2.0%	13.5%	-21.9%

Overall Darwin residential house sales prices **went down by 4.7%** and residential unit/townhouse **down by 19.2%**

REINT 2018, p.5,6,24,25; NT Government 2017 p.1; NT Government 2017, p.1

Selected Living Cost Index (SLCI) for Income Support Recipients

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

The ABS Selected Living Cost Index (SLCI) measures the cost of various baskets of goods which are specific to a number of different household types – including 'Age Pension', 'Other Government Transfer Recipient' households, 'Employee' households and 'Self-funded retirees' (ABS 2018a). Other government transfer recipient households includes "households whose principal source of income is a government pension or benefit other than the Age Pension or veterans affairs pension", e.g. Newstart or Youth Allowance (ABS 2018b).

NTCOSS is specifically focused on the cost of baskets which apply to 'Age Pension' and 'Other Government Transfer Recipient' households, given that it is these households which are more likely to be representative of low-income and disadvantaged households. Comparisons are also made with expenditure for both Employee households and Self-Funded Retiree households. This is to get a sense of the change in the rate of changes in costs of living for low-income households vs. higher income households.

Movement in the Selected Living Cost Index (SLCI)

Darwin vs National figures Dec 2016 - Dec 2017

Table 4a: Changes in SLCI figures over the past year (to March 2018)

National CPI all groups	↑	1.9%	
SLCI for Age Pensioners	↑	2.1%	which is <u>above</u> CPI increase
SLCI for Other Government Transfer Recipients	↑	2.4%	which is <u>above</u> CPI increase
SLCI for Employee Households	↑	2.0%	which is <u>above</u> CPI increase
SLCI for Self-funded Retirees	↑	1.8%	which is <u>below</u> CPI increase

Source: SLCI Figures taken from ABS 2018a and CPI figures taken from ABS 2018c, Table 11 Data 6

Table 4b: Changes in SLCI figures over the past quarter (to March 2018)

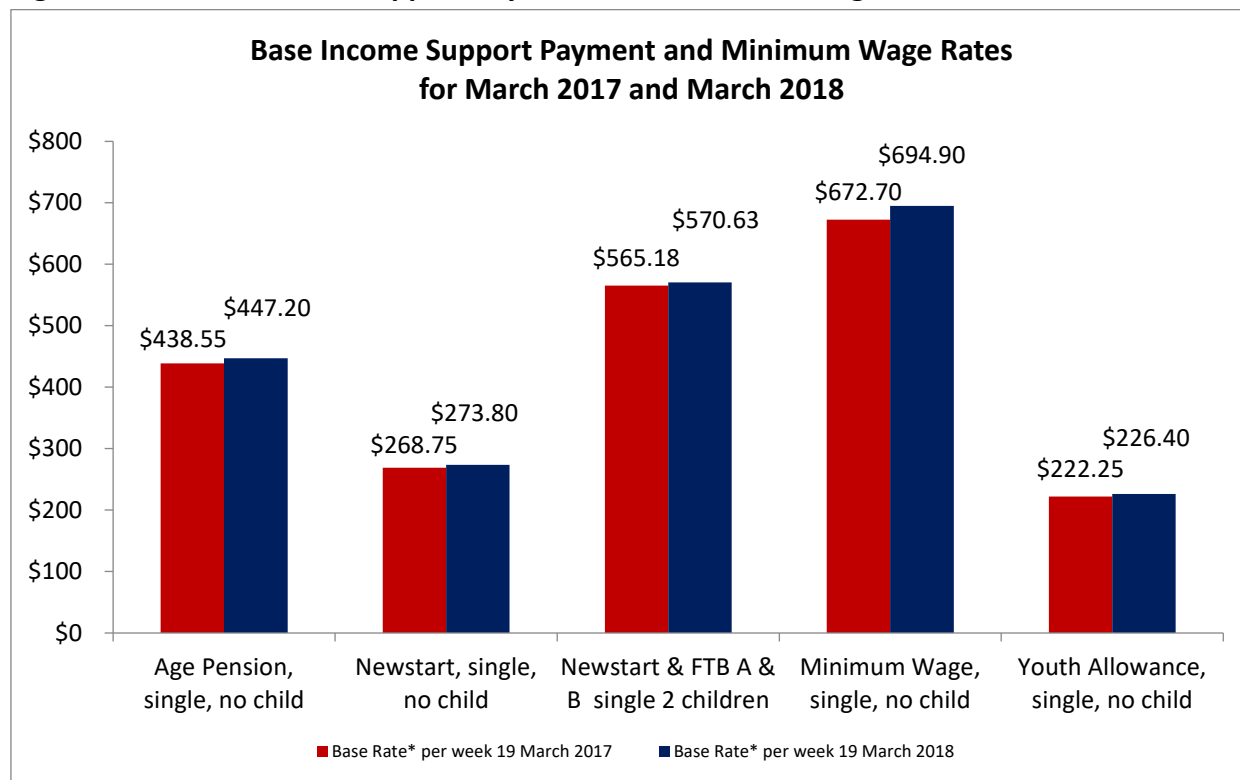
National CPI all groups	↑	0.4%	
SLCI for Age Pensioners	↑	0.8%	which is <u>above</u> CPI increase
SLCI for Other Government Transfer Recipients	↑	0.7%	which is <u>above</u> CPI increase
SLCI for Employee Households	↑	0.5%	which is <u>above</u> CPI increase
SLCI for Self-funded Retirees	↑	0.4%	same as CPI increase

Source: SLCI Figures taken from ABS 2018a and CPI figures taken from ABS 2018c, Table 10 Data 6

How well are Income Support payments keeping up with Cost of Living changes?

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

Figure 1: Selected Income Support Payments and Minimum Wage Rates Mar 2017-Mar 2018

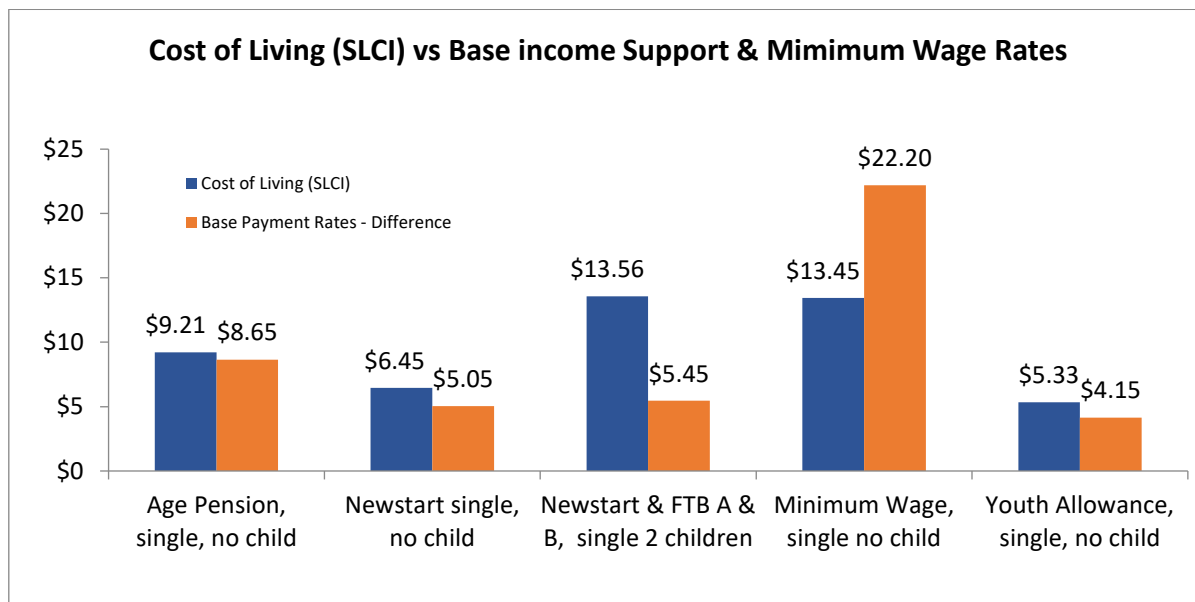


Sources: C'link 2017, p. 2, 5, 13, 25, 27, 32-33, 38-39; C'link 2018, p. 2, 5, 13, 25, 27, 32-33, 38-39. Fair Work Commission, 2017.

*NB: For simplicity, some supplements & Rent Assistance are not included in Figure 2, as they can vary from person to person.

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

**Figure 2: Growth in Selected Incomes vs Cost of Living (SLCI) over past year
b/w March 2017 and March 2018**



Sources: C'link 2017, p. 2, 5, 13, 25, 27, 32-33, 37-38 C'link 2018, p. 2, 5, 13, 25, 27, 32-33, 38-39; Fair Work Commission, 2017

As Figure 2 shows, the rise in cost of living for a single pensioner has risen at a rate a little bit above the rise in the pension over the past year, rising \$0.56 above the rate of cost of living for a single pensioner. For single Newstart recipients without children, the rise in the cost of living has outstripped the rise in payments by \$1.40 per week. For single Newstart recipients with two children, the difference was \$8.11 per week (around \$423 per year). For single Youth Allowance recipients, the rise in the cost of living has outstripped the rise in payments by \$1.18 per week over the past year.

In comparison, for a single person (no children) on the minimum wage, the rise in cost of living was \$8.75 per week below the rise in the minimum wage, over the past year, meaning the minimum wage was more than keeping up with cost of living rises for these employees. (Note: The rate of growth of the SLCI is calculated by multiplying the March 2017 base payment rate by the percentage increase in the SLCI over the past year for the relevant payment type).

For recipients of Newstart and Youth Allowance the lag is of particular concern, given the existing **inadequate base rate of payment** (if it is the sole payment received).

It is critical therefore that the Commonwealth Government addresses these low rates of base payments.

Struggling on Newstart and Youth Allowance

People on Newstart and Youth Allowance include sole parents, people with disability or mental illness, long term unemployed, and people (Newstart only) aged between 50-64, many who face significant employment barriers.

Living on \$226.40 per week on Youth Allowance or \$273.80 on Newstart means housing, food, transport, health and utilities bills all have to be squeezed into a very small payment. At March 2018 these payments were around \$420-\$470 under the Minimum Wage¹ of \$694.90 per week (Fair Work Commission, 2017). Where unexpected bills occur (e.g. large electricity bills), other essential items might have to be forgone (e.g. car repairs; less money for food).

Research by the University of New South Wales (UNSW) has highlighted that, “The Newstart Allowance received by people looking for work falls well below the minimum income required to achieve a basic standard of living – defined as a budget standard” (ACOSS 2017a, p.1), **by \$96 a week for a single person, \$58 a week for a couple with one child and \$126 a week for a couple with two children**” (ACOSS 2017a, p.1).

The UNSW report (New Budget Standards for Low-Paid and Unemployed Australians Report, cited in ACOSS 2017a) reveals following for a range of household types:

- Sole parent, one child - \$47 per week below the budget standard.
- Couple, one child - \$58 per week below
- Single adult - \$96 per week below
- Couple, with children - \$126 a week below
- Couple, without children - \$107 per week below (ACOSS 2017a).

The report suggests, so as to maintain an adequate level of payment which factors in changes in circumstances, for a “mechanism similar to the minimum wage” to be considered, set independently from Government, rather than at the discretion of Government (ACOSS 2017a).

In its recent pre-budget submission to the Federal Government ACOSS (2017b, p.19) has called for “Allowance payments for single people... [to] be increased by \$75 per week from January 2019”, and that this should apply “to people on Newstart Allowance, Widow Allowance, Sickness Allowance, Special Benefit and Crisis Payment”. This would help “alleviate the dire levels of poverty being seen as a result of the failure to increase the basic rate of working-age social security payments in more than 20 years” (ACOSS 2017a, p.1).

NTCOSS again echoes this call and urges the Federal Government to increase the Newstart Allowance and other base level payments by \$75 per week, as a matter of urgency.

¹ NOTE: The Minimum Wage figure referred to of \$694.90 is for a 38 hour week (before tax) and is the minimum wage for the period 1 July 2017 – 30 June 2018.

Pension Indexation System and the Inadequacy of Allowance Payments

The previous figures shown (Figure 2) reinforce the importance of the current method of indexation for adjusting pension rates every six months, where payment increases are linked to Male Total Average Weekly Earnings and prices (CPI). This generally ensures that pensions do not drop behind society averages (See Explanatory Note 4), though over the past year the pension did marginally lag behind the rise in the SLCI (by \$0.56 per week, as calculated by NTCOSS, based on CPI and Centrelink data). *NB: The Disability Support Pension rate is identical to the Age Pension rate, but for simplicity reference is made to the Age Pension.*

Newstart, Youth Allowance and other base-level benefit allowances are indexed to the CPI only, which does not ensure that increases in allowances will always keep up with the cost of living, as described above, and evident in Figure 2. At the moment, the **Newstart Allowance is \$173 per week lower than the age pension. \$39 a day is simply not enough for an individual to live on.**

The UN Special Rapporteur on Extreme Poverty, Mr Phillip Austen (ABC 2018), on a recent visit Australia stated that “Punitive measures trying to reduce the number of people who are eligible for Social Security Benefits, make it difficult to obtain them, [and] extend waiting periods”, are not justified, and he commented that they seem to be “driven by a broad ideological belief that there are many people who should be working who could be working and are refusing to”, but he doesn’t believe there is the evidence to support this.

Austen (2018) also highlighted the need for “labour market reforms to help get people into work, as well the need for providing the type of safety net that enables people to focus on getting and staying in employment rather than just a daily struggle to survive”.

Northern Territory Concession Scheme and its role in providing Cost of Living Relief

In November 2017, NTCOSS broadly welcomed the Northern Territory Government’s announced reforms to the Northern Territory Pensioner and Carer Concession Scheme (NTPCCS), particularly the caps on both electricity and water concessions, “to ensure that excessively high concessions are not available, and to encourage households that highly consume electricity and water to reduce their consumption - leading to a fairer, more sustainable and fiscally responsible scheme” (NTCOSS 2017a. p.1).

NTCOSS also expressed its support of the separation of incentives for senior Territorians from the soon to be introduced broader cost of living concession scheme, (NTCOSS 2017a, p.1), to be known as the Northern Territory Concession Scheme.

NTCOSS did highlight that those on the lowest incomes facing significant social disadvantage will continue to be excluded from access to cost of living relief in the Northern Territory, and reinforced that, “Concessions in Australia have historically been introduced across states and

territories to provide a rebate for low-income and disadvantaged households in order to ease cost of living pressures” (NTCOSS 2017a, p.1).

NTCOSS has advocated for many years for electricity concessions for all Centrelink Health Care Card holders. With the Queensland Government in 2017 extending its electricity rebate (concession) to all Centrelink Health Care Card holders, as well as asylum seekers, the Northern Territory remains the only state or territory not to offer electricity concessions to all Centrelink Health Care Card holders.

NTCOSS supports a means tested concession scheme - which is appropriate to ensuring that support for cost of living pressures goes to those who are most in need. It is appropriate that recipients of an Age Pension, Disability Support Pension, Carer Payment, Parenting Payment (single) and some Department of Veterans’ Affairs benefits are eligible for the new NT Concession Scheme (noting that a large number of seniors who met the criteria for the current NTPCCS will remain eligible, being grandfathered onto the new scheme, despite not meeting the new criteria).

It is, however, unfair that the eligibility criteria for the new Northern Territory Concession Scheme excludes people who receive a Carer Allowance – though existing recipients will be grandfathered (if on the NTPCCS prior to 8 November 2017). NTCOSS believes that, **rather than excluding all carer allowance recipients, a means test could be used to ensure that those people on low-incomes who receive Carer Allowance, are still eligible.**

In addition, it is equally unfair that low-income health care card holders will also be excluded from the new scheme. As an example, a single person on \$545 per week (which is well under the current minimum wage of \$694.90) will no longer be eligible, though existing recipients will be grandfathered on to the new scheme.

It is simply unfair and inequitable that “all” carer allowance recipients and low-income health care card recipients will be excluded from the new NT Concession Scheme

On top of this, people eligible for the (Centrelink) Pensioner Concession Card, because they only have a partial capacity to work (e.g. Newstart², Parenting Payment partnered, or Youth Allowance (Job Seeker), previously eligible for the NTPCCS, will not be eligible for the new scheme (unless they have been grandfathered). In addition, older recipients aged 60 and over, on Newstart, Partner Allowance, Widow Allowance, or Special Benefit – and who have been on one or more of these payments for nine months continuously, who are also eligible for the (Centrelink) Pensioner Concession Card – will also not be eligible for the new scheme, unless grandfathered.

² Where a Newstart recipient receives the ‘With dependent children rate’ of payment and has children (over 8 and under 16), Centrelink does provide for the following: “Single principal carers of a dependent child aged under 16 and people assessed as having a partial capacity to work may be eligible for a Pensioner Concession Card” Centrelink 2018, p.27).

NTCOSS also believes that the NT Government should review the eligibility criteria for low-income self-funded retirees, subject to a means test.

The NT Government will effectively save money by removing particular income categories from the concessions scheme. If this money was to be re-invested into employment and training programs that would lead to jobs and improved lives for these groups of people, this might have provided some basis for the tightening of the eligibility for the Scheme. There is no evidence, however, that this is the case.

It is perplexing therefore, that a means test for a set of concessions to help relieve cost of living pressures would exclude people on some of the lowest incomes, who face significant cost of living pressures (see link re eligibility - <https://ntconcessions.nt.gov.au/?q=content/eligibility>).

How do we have a means test for concessions designed to help relieve cost of living pressures that exclude some of the lowest paid members of the community?

If the electricity concessions of up to \$1200 were extended to those allowance recipients currently excluded, it would make a significant difference to easing cost of living pressures.

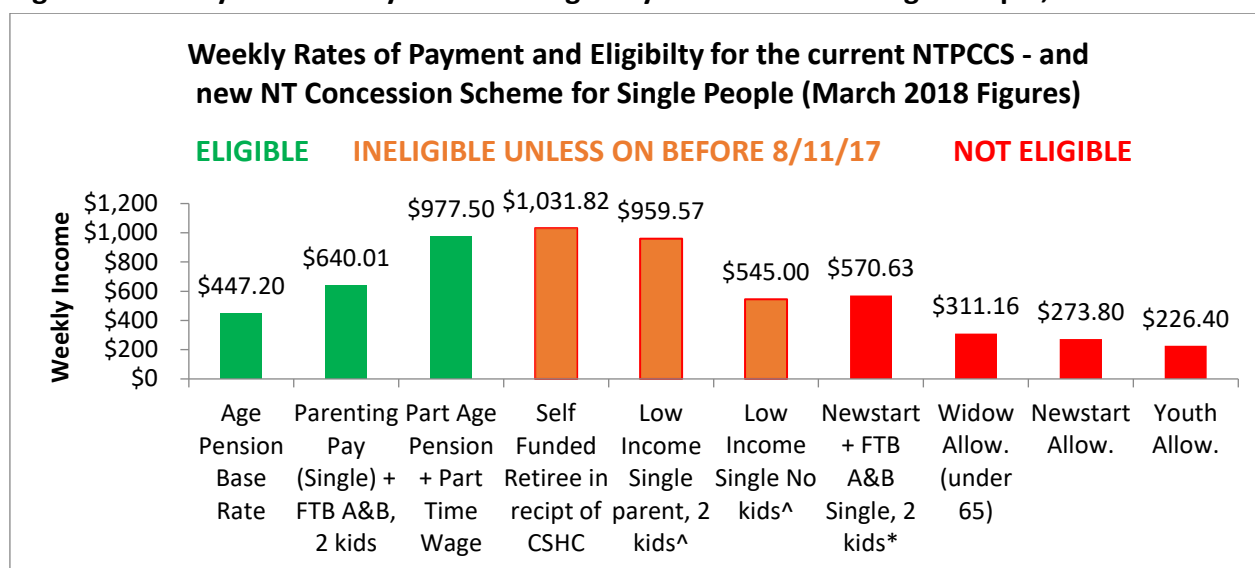
Given that people can move in and out of eligibility for payments such as the Newstart Allowance, or for the Low-income Health Care Card, or Pensioner Concession Card, one consideration could be a for a qualifying eligibility period of, for example, 3 months on a payment or Low-income Health Care Card, before people could be eligible for concessions.

Extending the eligibility for the electricity to these now excluded groups (and all recipients of a Centrelink Health Care Card) would support the role of government in adequately addressing inequality and providing appropriate social supports to those who need it most.

In Victoria a job seeker on Newstart can access electricity concessions, as well as motor vehicle concessions. If that job seeker moved to the Territory, they would be ineligible for the equivalent concessions here. With the high costs of living in the NT well accepted, and the fact that payments for people on Newstart and Youth Allowance are indexed at a lower rate than pensions, people on these payments are hit with a 'triple whammy' in the NT by also being denied access to concessions that would help ease their cost of living pressures (NTCOSS 2017b, p.11).

The following graph highlights examples of income groups who will be eligible for the new NT Concession Scheme (green), which groups will be grandfathered onto the new scheme (orange – noting that any new applicants in these income groups will not be eligible), and those groups who have historically been excluded (red).

Figure 3: Weekly Rates of Payment and Eligibility for NTPCCS for Single People, March 2018



Sources: Centrelink 2018, p. 2, 5, 11, 13, 25, 26, 27, 28, 32, 33, 34, 38, 39; Fair Work Commission, 2017.

The Age Pension Rate is the same as the Disability Support Pension rate

Parenting Payment Single - assumes the person applied after 20 Sept 2016, so energy supplement is not payable

The above graph does not cover all groups who are eligible or ineligible for the new NT Concession Scheme but provides a snapshot. Examples from the graph are expanded on below.

Sole parents are eligible for the Parenting Payment Single payment while their youngest child is under the age of 8, and therefore can access the concession scheme. Once their youngest child turns 8, single parents are then transferred across to the Newstart payment and have not been eligible for the NTPCCS in the past and will not be eligible for the new NT Concession Scheme. In addition to losing their concessions when they transfer to Newstart, their income support payment rate will be reduced (as Newstart is around \$85 per week below what they would have received on Parenting Payment Single).

The above figure includes Self-funded retirees in receipt of the Commonwealth Seniors Health Card (CSHC), who will be grandfathered into the new NT Concession Scheme (NTCS) – but any self-funded retirees, who were not on the current NTPCCS prior to 8 November 2017, will not be eligible for the NT Concession Scheme (but can access the Seniors Recognition Scheme).

The argument for some concessions in the NT to be extended to all Centrelink Health Care Card holders (e.g. electricity) has support at a national level. SACOSS has pointed out this issue in relation to concessions generally, which it describes as, “...the disjoint between the benefits received by pensioners and those for which recipients of government allowances are eligible (SACOSS 2009, p.8).

The fact that older Australians who hold a Pensioner Concession Card have access to many concessional benefits that are not available to other people on low incomes means that horizontal equity in the systemic sense is lacking” (SACOSS 2009, p.8). Horizontal equity refers

to where “those in similar circumstances need to receive similar levels of benefit” (SACOSS 2009, p.ii).

In addition, ACOSS (2014) has recommended that the Commonwealth Utilities Allowance, “...be extended to recipients of Parenting Payment, Newstart and other allowances, who currently miss out” (cited in SACOSS 2009, p.8).

SACOSS (2009, p.8) has recommended concessions for telephone allowance, transport concessions, and the Pharmaceutical Allowance also be available to these allowance recipients.

Purpose of and rationale for concessions – the link with Regressive Tax Systems

Concessions in Australia have historically been introduced across states and territories to provide a rebate for low-income households in order to ease cost of living pressures – and in part to offset regressive taxation systems. Taxes on goods and services such as electricity and water are applied in the same way across the board regardless of one’s income.

This financial year the Power and Water Corporation and Jacana Energy have budgeted to provide a combined amount of \$23.6 million (for electricity and water) back to the NT Government (NT Government 2018e, p.80) in the form of a Public Authority Dividend (PAD). This dividend is obtained through charges applied to each customer’s bill for household usage.

The higher a household’s bill, the higher its effective contribution to the PAD charges will be, and these contributions represent a greater proportion of household income (regressive) for low-income households.

Many concessions from state and territories therefore are designed to provide tax relief (or preferential taxation) for specific eligible households (generally low-income households), by compensating for the higher tax component they are effectively contributing to. This therefore mitigates the regressive nature of state/territory taxes and charges.

The electricity concession (up to \$1200 per household per year) provides this tax relief to eligible households. There are however, many low-income households³ in the Territory (which NTCOSS estimates to be around 7000 households) that **are not** eligible for concessions and are therefore missing out on the tax relief which those eligible for concessions receive.

NTCOSS believes further exploration of this issue is required. One possible step would be for the NT Government (or NT Parliament) to explore the impact of the public authority dividend (for electricity), and the associated concessions framework on Centrelink Health Care Card holders and renters in the Northern Territory.

See page 6 of NTCOSS [submission to the NTPCCS Scheme Review \(abridged\)](#)

³See basis for estimation in Appendix C

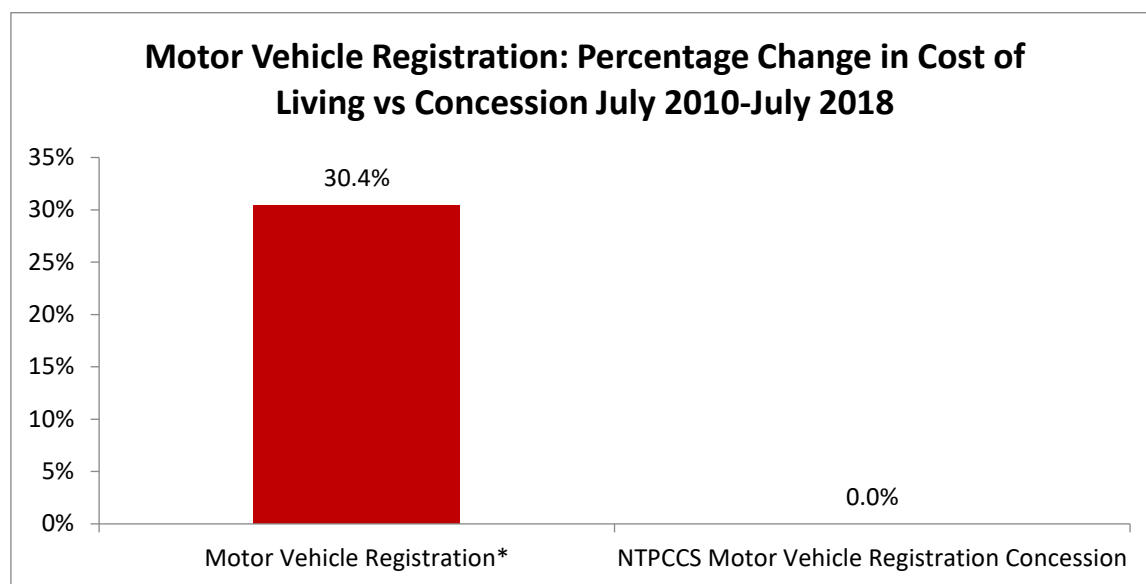
Indexation of Concessions

NTCOSS has highlighted for many years the need for appropriate indexation of certain concessions to ensure that concessions maintain pace with cost of living rises – in particular the motor vehicle registration concession – which has remained at the level of \$154 per 12 months (or \$77 per six months) since 2010 (NT Government 2017a, p.1). Given that the NT Government has embarked on a comprehensive review and restructure of the NT concession system, it would have been timely to address the issue of indexation for relevant concessions. This has not occurred and the existing level of concession to remain in place (NT Government 2018d).

An examination of motor vehicle registrations fees since July 2010 until June 2018 shows an increase in fees of 30.4% for a smaller vehicle - up to (engine size) 1500ml (NT Government (2010, p.1 and NT Government 2017b, p.1), which is more likely to be the size of car of a person on a low-income (and based on the 6-month registration fee, with lower income households more likely to pay 6 months at a time, rather than the 12-month up-front fee).

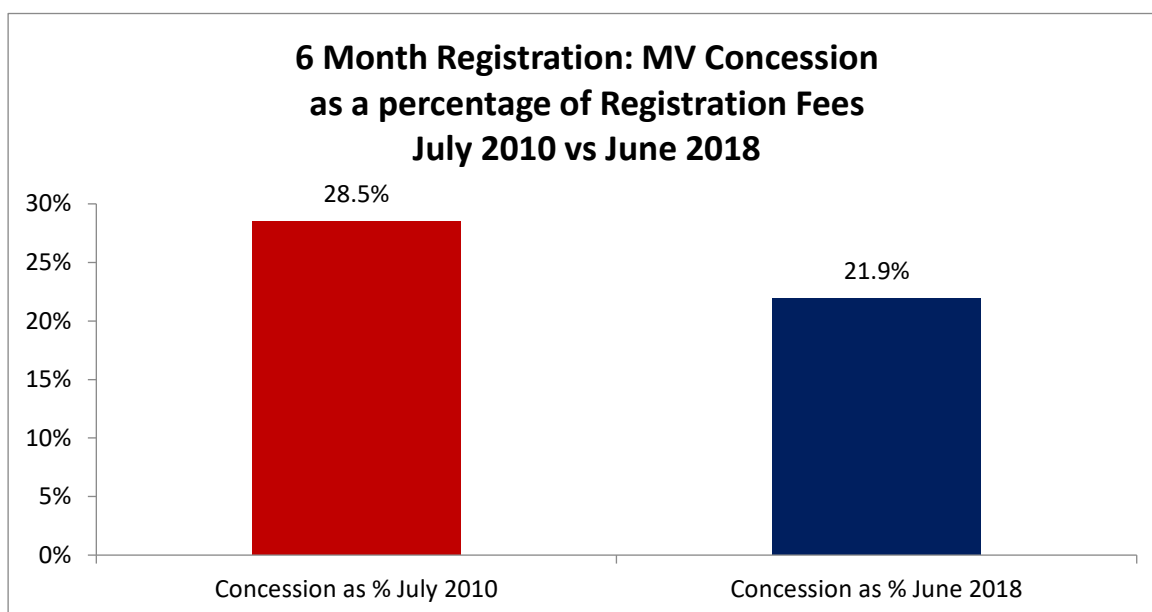
Over the same time period, the concession on motor vehicle registration has not increased at all (in the eight years from July 2010 to June 2018). **In fact, there has been no increase in this concession since July 2009.** It is also telling that the size of the **increase in the 6 monthly registration fees of \$82.25 for a small vehicle (NT Government 2010; NT Government 2017b), has almost wiped out completely the value of the concession when compared with eight years ago.** The erosion of the value of the concession is also demonstrated by an examination of the concession as a proportion of the full bill payable (had the concession not applied) which has gone down from 28.50% to 21.9% between July 2010 and June 2018 (for a vehicle 1000-1500ml), as shown in Figure 4b below.

Figure 4a: Motor Vehicle Registration Fee vs Concession comparing 2010 -2018



Source: Calculations based on figures from NT Government 2010, p.1; NT Government 2017b, p.1

Figure 4b: Motor Vehicle Concession as a percentage of Fees comparing 2010-2018



Source: Calculations based on figures from NT Government 2010, p.1; NT Government 2017b, p.1

Read the [NTCOSS submission to the NTPCCS Scheme Review \(abridged\)](#)

See the [NTCOSS mapped split scheme proposal](#)

REPORT RECOMMENDATIONS

Implementing the following recommendations would help ease the burden on Territory households and work towards all Territorians being able to enjoy a standard of living that enables them to have their essential needs met and be able to participate fully in society and further develop and contribute their skills and experiences.

1. That the NT Government urges the Commonwealth Government to increase the base rate of allowance payments, e.g. Newstart, Youth Allowance by \$75 per week as called for by ACOSS, other COSSES, the Business Council of Australia; and the Chief Minister of the ACT⁴
2. That the NT Government improves employment services so that people locked out of the labour market receive the help they need to get paid work.
3. That the NT Government reviews and reforms the eligibility criteria of the Northern Territory Concession Scheme to consider the reinstatement of low-income households now excluded – e.g. Carer Allowance recipients (subject to a means test); low-income health care card holders; Pensioner Concession Card holders (who don't meet other eligibility criteria), and low-income self-funded retirees (subject to a means test).
4. That the NT Government (or NT Parliament) explores the impact of the public authority dividend (for electricity) and the associated concessions framework on Centrelink Health Care Card holders and renters in the Northern Territory.
5. That the NT Government extend the Electricity and Motor Vehicle Registration Concessions (under the NT Concession Scheme) to all Centrelink Health Care Card Holders. This would include all those who are on the Newstart and Youth Allowance and Widow Allowance payments.

⁴ <https://www.dailytelegraph.com.au/news/breaking-news/act-chief-minister-urges-increase-to-dole/news-story/7ab4b80867eafa442776b691d1122208>

APPENDICES

Appendix A: Table 5: CPI Changes, Expenditure Type Darwin vs National – past quarter and past year

This table shows the trends in the CPI for all of the 11 CPI categories measured by the ABS in the past year.

Cost of Living area		CPI	
		Past Year March 2017 – March 2018 (% change)	
		Darwin	Australia
Food & Non-Alcoholic Beverages		-0.1 %	0.5%
	Meat and seafood	0.0%	0.7%
	Dairy & related products	-0.1%	0.2%
	Fruit	3.3%	2.5%
	Vegetables	-8.5%	-5.7%
Alcohol & Tobacco		6.2%	7.0%
	Alcohol	2.0%	2.2%
	Tobacco	13.1%	14.5%
Clothing & Footwear		-0.8%	-3.5%
Housing (includes utilities)		-1.6%	3.3%
	Rents	-6.0%	0.8%
	New dwelling purchase by owner-occupiers	0.6%	2.7%
	Other housing	1.7%	2.2%
	Maintenance and repair	1.4%	1.8%
	Property rates and charges	2.4%	2.6%
	Utilities	0.5%	9.3%
	Water & sewerage	0.5%	3.2%
	Electricity	0.5%	11.7%
	Gas and other household fuels	4.1%	10.0%
Furnishings, household equipment/services		-0.5%	-0.1%
Health		3.3%	4.2%
	Medical and hospital services	4.3%	5.3%
Transport		5.7%	2.9%
	Automotive fuel	6.7%	6.1%
	Urban transport fares (Public transport)	1.0%	3.2%
Communication		-3.9%	-3.4%
	Telecommunication equipment/ services	-4.2%	-3.7%
Recreation & Culture		1.6%	0.6%
Audio, visual and computing equipment and services		-5.8%	-5.0%
	Audio, visual and computing equipment	-10.2%	-8.8%
	Audio, visual and computing media and services	-0.4%	-0.7%
Education		4.7%	3.2%
	Preschool and Primary Education	3.6%	3.6%
	Secondary Education	6.9%	3.3%
	Tertiary Education	1.6%	1.5%
Insurance and financial services		3.6%	1.0%
	Insurance	3.9%	3.3%
CPI All Groups		1.1%	1.9%

Source: ABS 2018c Data 4, 5, 6

Appendix B Calculations used for Weekly payment rates - used in Figures 1, 2

Table 6a Weekly Payment Rates at 19 March 2017

	BASE RATE	Pension Support	Energy Supp	FTB A Child u13	FTB B Child 13-15	FTB B	Pharma Benefit	TOTAL PAYMENT
Age Pension (single)	\$398.95	\$32.55	\$7.05					\$438.55
Newstart (single, no children)	\$264.35		\$4.40					\$268.75
Newstart (single, 2 children)	\$285.95		\$11.46*	\$91.42	\$118.93	\$54.32	\$3.10	\$565.18
Youth Allowance (single, no children)	\$218.75		\$3.50					\$222.25

Table 6b Weekly Payment Rates at 19 March 2018

	BASE RATE	Pension Support	Energy Supp	FTB A Child u13	FTB B Child 13-15	FTB B	Pharma Benefit	TOTAL PAYMENT
Age Pension (single)	\$407.00	\$33.15	\$7.05					\$447.20
Newstart (single, no children)	\$269.40		\$4.40					\$273.80
Newstart (single, 2 children)	\$291.40		\$11.46*	\$91.42	\$118.93	\$54.32	\$3.10	\$570.63
Youth Allowance (single, no children)	\$222.90		\$3.50					\$226.40
	BASE RATE	Utilities Allow.	Energy Supp	FTB A Child u13	FTB B Child 13-15	FTB B	Pharma Benefit	
Widow Allowance (single, under 65, no children)	\$291.40	\$11.91	\$4.75				\$3.10	\$311.16
Parenting Payment (single, 2 children)	\$376.30			\$91.42 (child u5)	\$91.42 (child u5)	\$77.77 (child u5)	\$3.10	\$640.01
Low Income Min Wage (single, 2 children)	\$694.90		\$4.75	\$91.42 (child u13)	\$118.93 (child 13-15)	\$54.32 (child u13)		\$959.57
Part Age Pension Max rate of income (single, no children)	\$0.50 + \$977.00		\$3.50					\$977.50
Self-funded Retiree Receives CSHC (single, no children)	\$1031.82							\$1031.82

Sources: Centrelink 2017, p. 2, 5, 12, 23, 26, 32, 37-38; Centrelink 2018, p. 2, 5, 11, 13, 25, 27, 28, 32-34, 38-39; 2018, Fair Work Commission, 2017. NB: All figures based on max payment rates where relevant. 2 children for Newstart calculation based on one under 13 y.o.; and one b/w 13-15 y.o.; 2 children for Parenting payment single based on both children under 5. Low income household with 2 children can earn up to \$977 per week and be eligible for the Low-Income Health Care Card, and therefore qualify currently for NTPCCS. *Note: For Newstart (single) with children the Energy Supplement of \$11.46 (\$4.75 + \$4.75+\$1.96) is larger than previous reports - recipients are eligible for each child 0-12; 13-15 for whom they get FTB A, and for FTB one payment (based on age of youngest child). NTCOSS omitted to apply this to previous reports.

Appendix C Calculations used for estimate of number of low income households in the NT, not eligible for the concession scheme

The following table shows the number of Centrelink Income Support recipients who are receiving a low-income level of payment – and not eligible for the new NT Concession Scheme (unless a NTPCCS recipient has been grandfathered from the old scheme). Given the ratio of 2.9 individuals per household across the Territory (ABS 2018e), the total number of individuals on these payment types has been divided by 2.9 to get an approximate household number.

Note that the Carer Allowance figure of 3279 is not included in this total, as it is not known how many of these recipients are in low income households - but it means the figure of 7000 is possibly an underestimate of the number of low income households whom NTCOSS believes should be included in the NT Concession scheme – at least for the electricity concession.

Table 7 Number of Centrelink Income Support recipients who are receiving a low-income level of payment in the Northern Territory

Carer Allowance (Child Health Care Card only)	Low Income Card	Newstart Allowance Partnered	Newstart Allowance Single	Parenting Payment Partnered	Sickness Allowance	Special Benefit	Widow Allowance	Youth Allowance (other) Partnered	Youth Allowance (other) Single	Total
113	1,030	6,012	8,787	2,688	42	22	61	249	2,024	21,028

Blue font categories automatically receive a Health Care Card

Carer Allowance figure of 3279 not included in total, as not known how many of these recipients are in low income households

Source: Australian Government 2018

Table 8 Calculating the estimate of the number of households missing out on concessions

Population NT	228,833
Households NT	89,959
Average persons per household	2.9
Number of low income individuals missing out on concessions	21,028
Estimated number of households missing out (21,028 divided by 2.9)	7251 (rounded down to 7000)

Source ABS 2018e Census Figures, Quick Stats, Australian Government 2018

<http://www.abs.gov.au/websitedbs/censushome.nsf/home/quickstats?opendocument&navpos=220>

1. CPI and Living Cost Indexes

The ABS Selected Living Cost Indexes (SLCI) uses a different methodology to the CPI. CPI is based on acquisition (i.e. the price at the time of acquisition of a product) while the living cost index is based on actual expenditure. This is particularly relevant in relation to housing costs where CPI traces changes in house prices, while the SLCI traces changes in the amount expended each week on housing (e.g. mortgage repayments). Further information is available in the Explanatory Notes to the Selected Living Cost Indexes (ABS 2018b).

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

“The Selected Living Cost Indexes (SLCIs), Australia incorporates the Pensioner and Beneficiary Living Cost Index (PBLCI) and the Analytical Living Cost Indexes (ALCIs). The ALCIs have been compiled and published by the ABS since June 2000 and were developed in recognition of the widespread interest in the extent to which the impact of price change varies across different groups of households in the Australian population” (ABS 2018b).

“ALCIs are prepared for four types of Australian households:

- employee households (i.e. those households whose principal source of income is from wages and salaries);
- age pensioner households (i.e. those households whose principal source of income is the age pension or veterans affairs pension);
- other government transfer recipient households (i.e. those households whose principal source of income is a government pension or benefit other than the age pension or veterans affairs pension); and
- self-funded retiree households (i.e. those households whose principal source of income is superannuation or property income and where the Household Expenditure Survey (HES) defined reference person is 'retired' (not in the labour force and over 55 years of age)” (ABS 2018b).

2. Limitations of the Selected Living Cost Indexes

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

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

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

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

The Selected Living Cost Indexes’ household income figures are based on households that are the average size for that household type: which for Aged Pensioners is 1.52 and Other Government Transfer recipients 2.57 (ABS, 2018b). This makes comparison with allowances difficult. This Report primarily focuses on single person households or a single person with two children (to align to the other welfare recipient household average of 2.57 persons). However, this is a proxy rather than statistical correlation (Adapted from SACOSS 2014, p. 9-10). While the Selected Living Cost Indexes do have some limitations in terms of tracking cost of living

changes overall however, they provide a “robust statistical base, quarterly tracking of changes and a long time series, which all provide valuable data for analysis” (SACOSS 2014, p.10).

3. Pension and Newstart (and Family Tax Benefit) Calculations for Figures 1 & 2

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

4. How Pension rates are adjusted

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

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

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