

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: The Cost of Transport in the Territory



NTCOSS Cost of Living Report

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Introduction

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

The first part uses the Australian Bureau of Statistics' Selected Living Cost Indexes (ABS, 2013a) and Consumer Price Index (ABS, 2013d) to show changes in the cost of living in the last quarter and over the last 12 months. The Living Cost Indexes (LCI) 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, 2013a).

As a summary measure, the Selected Living Cost Indexes are preferred over the better known Consumer Price Index (CPI) because the CPI is technically not a cost of living measure. The CPI tracks changes in the price of a specific basket of goods, but this basket includes goods and services that are not part of the expenditure of all households, and in particular, not part of the expenditure of poor households. This is important when considering the cost of living because if expenditure on bare essentials makes up the vast bulk (or entirety) of expenditure for low income households, then price increases in those areas are crucial. 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 less relevant to low income households.

The Selected Living Cost Indexes use a different methodology to the CPI (see Explanatory Note 1) and it disaggregates expenditure into a number of different household types (ABS, 2013b), although this *Cost of Living Update* focuses only on the "Aged Pension" and "Other government transfer recipient" figures (hereafter "Other Welfare Recipients"), as these are likely to represent the more disadvantaged households. While the Selected Living Cost Indexes also have limitations in tracking cost of living changes for these groups (see Explanatory Note 2), they do provide a robust statistical base, a long time series, and quarterly tracking of changes – all of which provide useful data for analysis. This report also adds to the Selected Living Cost Indexes figures by putting a dollar value on the percentage changes in the indexes, and by using disaggregated CPI data to summarise change in prices of key items.

The second section of the NTCOSS *Cost of Living Report* contains a more in-depth analysis of cost of living trends in one key area of concern in relation to cost of living pressures on vulnerable and disadvantaged Northern Territorians. This *Report* focuses on the cost of transport and using ABS Household Expenditure Survey (2009-10) Data (ABS, 2011a-d) and ABS CPI figures for Darwin, comparing these with national and state/Territory figures, as well as quantitative and qualitative data from a range of other sources.

NTCOSS acknowledges the generous time and resources and advice provided by SACOSS, whose Cost of Living Reports have contributed significantly to the development of this NTCOSS Cost of Living Report.

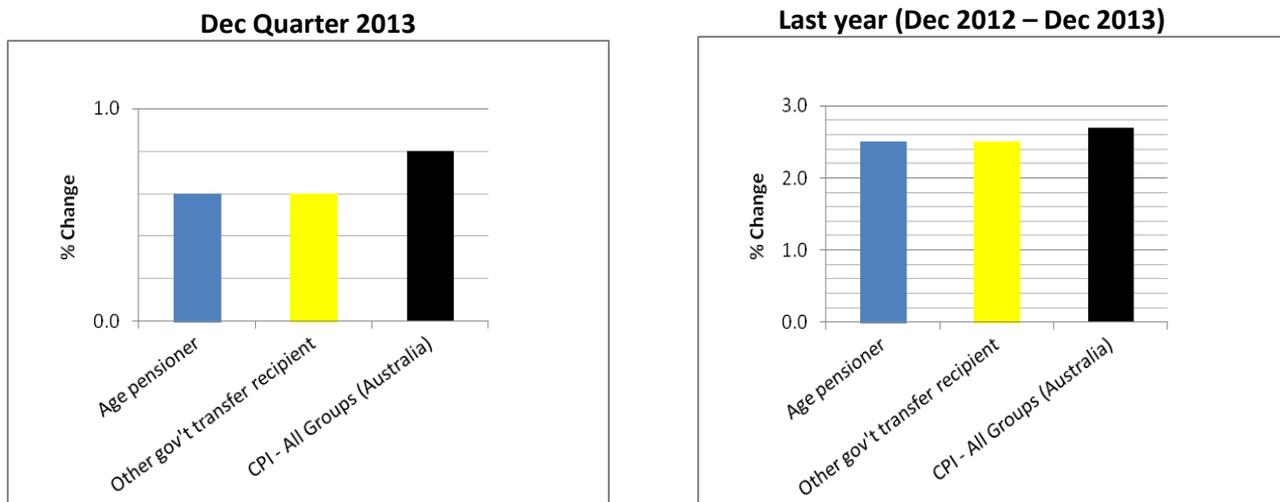
SECTION 1 December Quarter 2013 Cost of Living Changes

Prices: In the December 2013 quarter, the cost of living (as measured by the ABS Selected Living Cost Indexes (SLCI) for Age Pensioners and for Other Welfare Recipients, rose by 0.6%, at national level. In the same period, CPI rose by 0.8 % overall nationally and 0.9% in Darwin. (ABS, 2013a; ABS 2013d).

The major contributors to the price rises included food and non-alcoholic beverages, mainly due to rises in vegetables and fruit. Recreation and culture also contributed to the rise, as well as housing costs (which mainly affect Other Welfare Recipients, as Age Pensioners are more likely to be home owners). A fall in health costs (due to a fall in pharmaceutical products prices) partially offset the rise. Age pensioner households, in particular, have a relatively higher proportion of expenditure on health. Falls in insurance and financial services, mainly due to a fall in interest charges, also partially offset the rise for Other Welfare Recipients. (ABS 2013c)

Over the last year (December Qtr 2012 – December Qtr 2013) the living cost indexes (SLCI) for Aged Pensioners and Other Welfare Recipients both increased by 2.5 %. Nationally, CPI rose by 2.7%. In Darwin the CPI rose by 4.4% in the 12 month period. (ABS 2013a, ABS 2013d).

Figure 1: Increases in Living Costs December Qtr 2013 - National Figures



Source: SLCI Figures taken from (ABS, 2013a; ABS 2013d Tables 12 & 13)

The cost of living for Age Pensioners and Other Welfare Recipients over the last year increased less than the CPI, but only marginally. It is notable that the living costs of employees (1.3%) rose far less steeply over the past year, than for pensioners and Other Welfare Recipients, and half the rate of the national CPI rise (ABS, 2013a).

This means that prices for the 'basket' of essential items bought by those who can least afford it, is going up faster than for other sections of the population whose basket of goods and services is different.

These overall figures can be disaggregated to track changes in the price of key basic goods and services over the past year in Darwin and nationally (Table 1). Significant trends are evident, with Darwin prices rising significantly more than prices nationally in many areas – e.g. housing (rent), health, and transport all rising faster than the corresponding national CPI for those items, and higher than the national CPI rate (ABS 2013d).

The overall Darwin CPI increase in the last year (4.4%) was higher than the national CPI increase (2.7%), (ABS 2013d). Darwin rents (1.4%), increased in the December Quarter, at a faster rate than the national CPI for rent (0.6%) and more than the national (0.8%) and Darwin CPI rates (0.9 %) (2013d). New house prices, however, went up at a lower rate (0.4%), compared with the national increase for new houses (1.0%), and at a lower rate than the Territory (0.9%) and national (0.8%) CPI increase. The new house price increase was also below the rent increase figures for the Territory (1.4%) and nationally (0.6%) (ABS 2013d), which is very significant as rent increases disproportionately hurt poorer households. The figures (Table 1) below compare price changes in a number of basic necessities in Darwin with the national changes in the last quarter, and over the last year, however they do not account for local variations in prices.

Table 1: Cost of Living Changes December Qtr 2013 by expenditure type Darwin vs National

Cost of Living Area	Darwin CPI Dec Qtr change %	National CPI Dec Qtr change %	Darwin CPI Dec 2012- Dec 2013 change %	National CPI Dec 2012- Dec 2013 change %
Food (& non-alcoholic beverages)	1.4	1.6	1.3	1.1
Housing (includes utilities)*	0.6	0.5	7.3	4.3
• Rent	1.4	0.6	8.4	3.0
• New Dwelling Purchase – owner/occupiers	0.4	1.0	3.4	4.1
Health	0.1	-0.5	6.3	4.4
Transport	0.7	-0.1	5.5	1.9
• Private Motoring	0.7	-0.2	5.1	1.8
• Motor Vehicles (New Purchase)	-0.7	-0.5	-5.7	-2.8
• Spare Parts and Accessories for Motor Vehicles	1.8	1.1	2.7	0.4
• Automotive Fuel	1.6	-1.1	4.7	4.4
• Maintenance and Repair of Motor Vehicles	1.0	0.9	7.1	3.1
• Urban Transport Fares	0.0	0.0	16.2	3.7
CPI All Groups	0.9	0.8	4.4	2.7

Source: ABS, 2013d Tables 12 & 13 (Data 4 & 5). NOTE: For disaggregated housing figures see ABS 2011c. *see ABS 2011d

Incomes: Given that welfare recipients have very low incomes, it is unlikely that any significant amount of the weekly benefit can be saved, at least for those not able to supplement their government transfer payments with additional income. For someone on the base level of benefits, and assuming they spend all their income, NTCOSS has calculated the dollar value of changes in cost of living over the past year, as shown in Table 2.

Table 2: Cost of Living Change December Qtr 2012 – December Qtr 2013 Australia

	Base Rate Benefit per week \$ (31 Dec 2012)	Base Rate Benefit per week \$ (31 Dec 2013)	Selected Living Cost Index change %	Amount per week increase in 'cost of living' \$	Amount per week increase in base payment rates \$
Aged Pensioner	\$356	\$382.70	2.5%	\$8.90	\$26.70
Newstart single – no children	\$246.30	\$254.75	2.5%	\$6.15	\$8.45
Newstart single – 2 children & FTB A & B	\$511.99	\$524.85	2.5%	\$12.80	\$12.86

Newstart Single 2 children figures based on one child under 13 and one b/w 13-19.

Sources: Centrelink, 2012 & 2013; ABS 2013a. See also Technical Note 5.

For those whose only source of income is a base-rate government benefit and (who spend all their income), the cost of living over the last year increased by \$8.90 a week for pensioners, by \$6.15 for single people on Newstart and \$12.80 for a sole parent with 2 children receiving Newstart and FTB (A & B). By comparison, the base rate pension rose by \$26.70 in the same period, and the base Newstart rate rose by \$8.45 per week, and the combined Newstart and FTB (A & B) rate rose by \$12.86 per week (Centrelink, 2012 & 2013). These figures are not typical and should be treated with caution, as they include the Household Assistance Package payments introduced to compensate for the impact of the carbon price, which was not in place 12 months ago, and it is only these payments which put the Newstart Allowance just ahead of the cost of living pressures.

“This underlines the importance of these base payments, but it is likely that with the low base payment and inadequate indexing that Newstart and other base level benefit payments will continue to lag behind pensions (currently \$128 lower p/w), unless the Federal Government commit to increase Newstart and other base level payments by \$50 per week.”

SECTION 2: Transport Expenditure

The Importance of Transport Expenditure by households

Access to transport is critical as it impacts on the ability of people to access employment, health, banking shopping and other essential services, recreational and social activities, enabling people to fully participate in society. **Affordability** is a key requirement of any transport system, but it is not the only one. There are several other critical components required to ensure an appropriate transport system, such as:

- **Availability** – is transport available to go where you want to go?
- **Accessibility** – can you physically use the transport system (disability access) and can you navigate it?
- **Acceptability** – is it safe, clean, reliable and not too difficult to use? (SACOSS, 2012)

If these elements are not all present, then people are unable or less likely to access transport services, meaning transport prices won't be much of an issue for them. However, where these factors are all met, and people are able to access a transport system, affordability is a key issue, and transport makes up a considerable proportion of household expenditure. **According to the ABS 2009-10 Household Expenditure Survey (HES) transport is the second biggest expenditure item for Northern Territory households, accounting for approximately 15.6% of average household expenditure. Only housing (19.6% of expenditure) is a greater expense for Territory households (ABS, 2011c), with food coming in third at 14.9%.**

The NT is the only jurisdiction where households spend more money on transport than on food

The limited availability of public and community transport in the Northern Territory means that many low-income people rely on other more expensive forms of transport (such as taxis or minibuses) to meet their everyday needs. Money spent on transport reduces money available for essential items, further exacerbating poverty and social exclusion for people who are on low incomes and already face significant poverty and disadvantage. Access to transport is clearly an important contributor to the access to food, education, employment and training, visits to justice centres and the general wellbeing of individuals and communities.

The percentage of household expenditure on 'All Transport' in the NT is on a par with the national figures, but the absolute expenditure in the NT is significantly higher than the national average. And the absolute expenditure is higher than the national figures in nearly all categories of transport expenditure – apart from the categories of 'vehicle registration and insurance' and 'public transport fares', with the latter related to the lack of access to public transport for many Territorians.

National and Northern Territory Transport Expenditure – A comparison

Table 3: Comparison of National and NT Household Expenditure on Transport

	Australia 2009-10		Northern Territory 2009-10		Darwin 2009-10	
	Ave Weekly Expend \$	% of H/hold Expend	Ave Weekly Expend \$	% of H/hold Expend	Ave Weekly Expend \$	% of H/hold Expend
All Transport	\$192.87	15.6%	\$234.18	15.61%	\$233.78	15.97%
Motor Vehicle Purchase	\$47.18	3.8%	\$56.83	3.80%	\$58.41	4.00%
Vehicle fuel, oil etc	\$51.02	4.1%	\$56.89	3.80%	\$55.28	3.80%
Vehicle Rego & Insurance	\$28.57	2.3%	\$24.29	1.60%	\$27.95	1.90%
Vehicle Parts & Accessories	\$10.48	0.8%	\$18.24	1.20%	\$20.15	1.40%
Vehicle Charges	\$42.39	3.4%	\$58.45	3.90%	\$53.94	3.70%
Public Transport Fares	\$4.95	0.4%	\$0.81	0.05%	\$1.14	0.08%
Taxi Fares	\$2.29	0.2%	\$2.80	0.20%	\$2.72	0.20%

Source: Derived from (ABS, 2011b, Tables 3A, 23A, 27A)

As not all HES categories are directly correlated with the CPI categories, it is not possible to index all of the figures to Dec 2013 figures

Table 4: Increases in Transport Expenditure over the last 4 years, Northern Territory

(NT 2009/10 base figure \$)	NT Average Weekly Expend \$ Dec 2009	CPI Increase Darwin for each category % (Dec 2009- Dec 2013)	NT Estimated Current Average Weekly Expend \$ Dec 2013	Increased expenditure per week \$ compared with 4 years ago	Increase in yearly expenditure compared with four years ago	Actual expenditure for whole year \$ - current
All Transport	\$234.18	14.6 %	\$264.42	\$30.24	\$1572.48	\$13,749.84
Motor Vehicle Purchase	\$56.83	-8.1 %	\$52.21	-\$4.62	-\$240.24	\$2714.92
Vehicle fuel, oil etc	\$56.89	29.6 %	\$73.70	\$16.81	\$874.12	\$3832.4
Vehicle Parts & Accessories	\$18.24	5.8 %	\$19.30	\$1.06	\$55.12	\$1003.60
Public Transport Fares	\$3.61*	22.8 %	\$4.43	\$0.82	\$42.6	\$230.52

Source: Derived from (ABS 2011b Table 27A; ABS 2013d Table 13, Data 4) NOTE: Darwin CPI used as state CPI figure not available in ABS data

* This Figure is made up of Public Transport (0.81) and Taxi Fares (\$2.80); as CPI treats them as one category

As not all of the HES categories (Table 3) are directly correlated with the CPI categories, it is not possible to index all of the HES transport figures to December 2013 figures, however Table 4 above has calculations for a limited number of these categories, to show 2013 prices. This table shows significant increases which have real impacts on weekly budgets. It should be noted that these are *not* cumulative increases for each quarter.

NT households are spending \$16.81 more on vehicle fuel; and \$30.24 more on transport overall, per week, compared to the situation 4 years ago. The figures show, based on previous expenditure patterns, *the average quarterly household expenditure on transport at December 2013 is approximately \$393.12 more than for the December 2009 quarter – an additional \$1572.48 for a year. In terms of fuel costs it equates to \$218.53 more per quarter than four years ago* – which is much higher than would be the case if transport costs had followed the general ‘All Darwin CPI’.

Absolute Expenditure on Transport

In a comparison of all States and Territories, **the NT has the highest rate of absolute expenditure on transport**, although some other states have a higher percentage of household expenditure on transport (Tasmania; Victoria, NSW), although the latter two are not significantly higher than the NT.

Table 5 Comparison of transport expenditure between states and proportion of weekly expenditure

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
2009-10 Figures (Weekly) \$	\$197.9	\$195.89	\$193.24	\$154.43	\$192.5	\$178.32	\$234.18	\$232.23
% Household Expend	15.64%	15.99%	15.57%	14.89%	14.98%	16.76%	15.61%	15.11%

Source: ABS 2011b (Tables 27a)

In terms of capital cities, Darwin has the highest rate of absolute expenditure on transport, compared with the other states and Territories (see also Figure 2), as well as **the highest percentage of household expenditure on transport**. Transport costs in the NT have also risen faster than in any other jurisdictions over recent years (Figure 3).

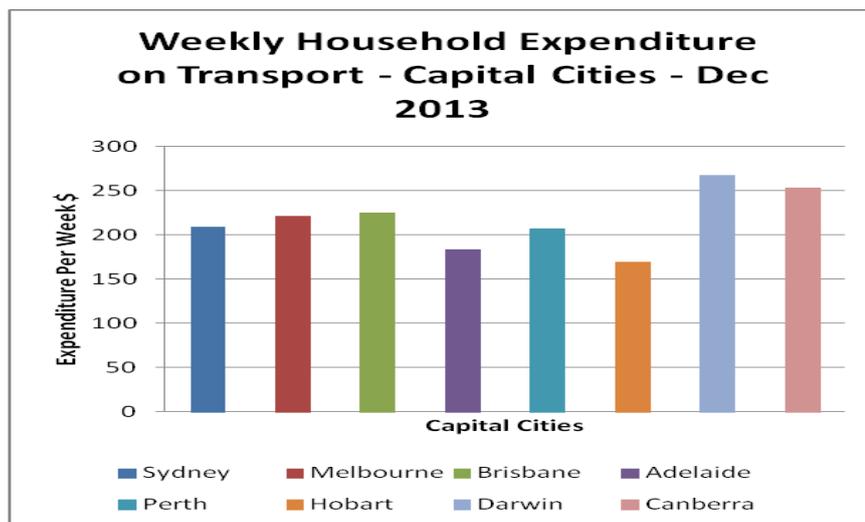
Table 6 Comparison of transport expenditure between capital cities and proportion of weekly expenditure

	Sydney	Melb	Brisb	Adel	Perth	Hobart	Darwin	Canb
2009-10 Figures (Weekly) \$	\$193.01	\$200.42	\$201.45	\$165.28	\$192.62	\$156.86	\$233.78	\$232.23
% Household Expend	14.43%	15.37%	14.92%	14.65%	14.74%	13.78%	15.97%	15.12%

Source: ABS 2011b (Tables 23A)

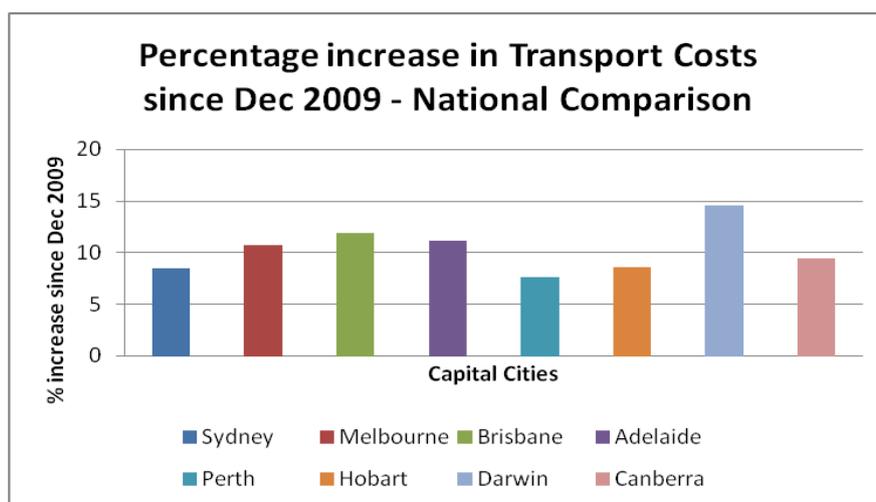
Transport costs are also a particular issue for people in rural and remote areas given the distances involved in regional, rural and remote areas and the lack of public transport, and the costs of fuel are higher. Interestingly though, the expenditure per household for the whole of the NT is almost identical (\$234.18) as the expenditure for Darwin households (\$233.78). However, there are differences within some of the categories of expenditure on transport (Table 5), which are either directly related to remoteness, or service unavailability. For example expenditure is higher on public transport in Darwin, where the majority of the Territory’s public transport services are provided than it is for the Territory as a whole; on the other hand, fuel costs are higher for the NT as a whole than for Darwin itself, which makes sense as fuel prices are generally higher in remote areas, and people have further to travel on a regular basis. The lower vehicle registration and insurance figures for the NT overall may reflect the lower proportion of registered and insured vehicles in remote areas of the NT where access to services are limited and incomes are lower.

Figure 2 Weekly Household Expenditure on Transport – Capital Cities December 2013



Source: ABS 2011b (Tables 23A) indexed to Darwin CPI (ABS 2013d)

Figure 3 Rate of increase in Expenditure on Transport – Capital Cities Dec 2009 - Dec 2013



Source: Calculations based on ABS 2011b (Tables 23A) indexed to Darwin CPI (ABS 2013d)

It should also be noted that because CPI figures are only collected in capital cities, the data is limited in terms of considering transport cost of living pressures outside of the city. ABS figures show that the average household income in the Northern Territory (\$87,048) is significantly higher than the national average (\$64,168) 2011 figures (ABS (2011f)). The high NT income figure is due to a concentration of people in high income earning professions such as full time professionals and managers as well as well paid workers in the mining sector. However, there are also a large number of people on lower incomes or unemployed. A sole parent with 2 children on Newstart (and Family Tax Benefit A & B), for example, would receive \$27,292 per annum (base payment rate – see Table 2).

On top of this, the NT median income figures do not take account of regional differences, where for example, the median wage in Alice Springs (\$60,112), was below the national median and well below the NT median (ABS (2011f)). **The cost of living in many categories (food, housing, clothes) remain the same regardless of income levels, meaning rises in costs of living can disproportionately impact people on low incomes .**

Another major difference between transport expenditure and expenditures on other basic necessities is that transport makes up proportionately less of the expenditure of low income Territorian households than of higher income households: for example in the NT, expenditure for the lowest income quintile is 12.1 % on transport, while it is up to 16.1% for the highest quintile.

In terms of actual expenditure, it is very different with high income households in the NT spending nearly six times more, on average, than that of the lowest income quintile: \$384 per week by comparison with \$69 per week (ABS, 2011b, Table 7). Clearly, people in higher income households are either travelling more or using more expensive means of transport (e.g. more expensive cars), or both. **However, as is shown below, the impacts of transport price rises do not necessarily follow the same spread as some price rises impact more on low income households. See table showing amounts and percentage of household income spent on transport, nationally.**

Table 7: Transport Expenditure by Household Type, Australia

	Ave. Weekly Expend \$	% of H/hold Expend
Lowest Income Quintile	69.03	12.4%
Second Income Quintile	114.45	14.0%
Third Income Quintile	170.21	14.6%
Fourth Income Quintile	226.28	15.3%
Highest Income Quintile	384.19	17.8%
All Households	192.87	15.6%
Welfare Recipients	81.26	13.3%
• Age Pension	66.44	11.8%
• Disability and Carer Payments	111.57	15.4%
• Unemployment/Study Payments	84.87	11.9%
• Family Support Payments	104.32	12.5%

Source: Derived from ABS 2011b (Tables 3A, 11A)

Table 8: Transport Expenditure by Household Type, Northern Territory

	Transport Expenditure (NT)		% of H/hold Expend
	Ave. Weekly Expend \$ Dec 2009	Ave. Weekly Spend \$ Dec 2013	
Lowest Income Quintile	\$62.54	\$71.68	12.1%
Second Income Quintile**	\$120.59	\$138.22	14.7%
Third Income Quintile	\$208.19	\$238.63	14.6%
Fourth Income Quintile	\$266.01	\$304.91	16.3%
Highest Income Quintile	\$356.21	\$408.30	16.1%
All households	\$234.18	\$268.43	15.6%

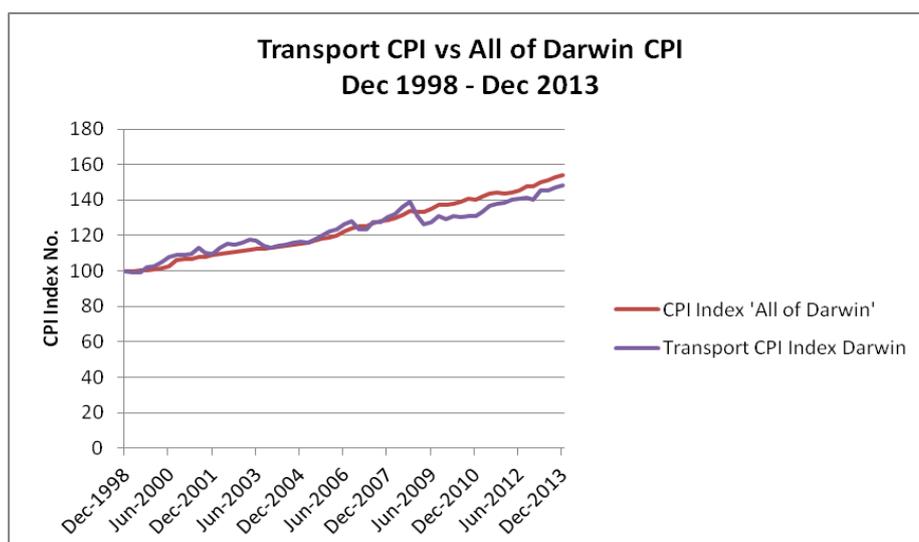
Source: ABS 2011c (Table 3). 2013 figures based on 2009 figures indexed using Darwin CPI Figures (ABS 2013d)

** Second Income Quintile figures - estimate has a relative standard error greater than 50% and is considered too unreliable for general use
Note: Separate State/Territory information not available for the Welfare Recipients information (see National Data Table 7)

Summary of Transport Price Movements

CPI for all transport prices in Darwin over the last year rose by 5.5%, well above the 1.9% increase in CPI for all goods (ABS, 2012c). Figure 4 shows the relative price changes since 1998.

Figure 4: Transport Prices and CPI – Darwin 1998-2013



Source: ABS (2013d, Table 13)

Table 9: CPI increases for Transport over the last 15 years, Darwin

	% Increase Dec 1998-Dec 2013
Motor Vehicles	-12.88 %(decrease)
Spare Parts & Accessories	34.34 %
Maintenance & Repairs	67.20 %
Fuel	127.63 %
Urban Transport Fares	81.77 %
Transport - All	48.02 %
CPI – All Groups	54.06%

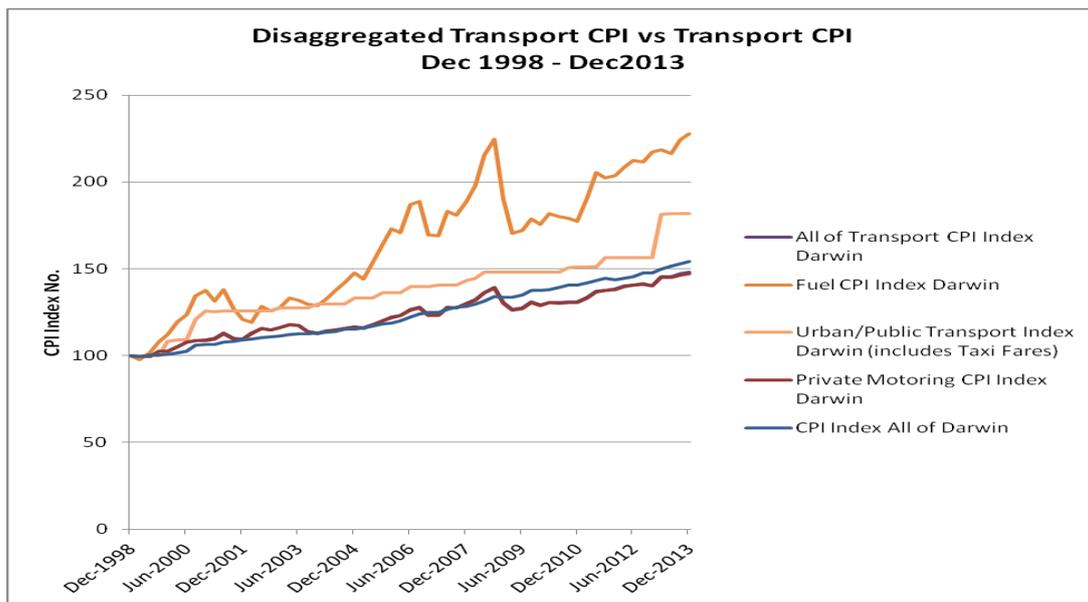
Source: ABS 2013d (Table 13)

As is evident in the graph, transport prices have been more unstable than the generic CPI measure, but overall the trend has been largely the same. In fact, despite steeper transport price rises over the last year, over the whole period since 1990 the transport price index is only marginally lower than the generic CPI. This should be good news for low income earners whose income is pegged to CPI as it suggests that transport is not getting relatively more expensive and is therefore not a particular driver of cost of living pressures. However, when we look at the disaggregated transport figures, a different picture emerges.

Disaggregated Transport Prices

Figure 5 presents a more nuanced picture of what has been happening to transport prices in Darwin by showing various sub-categories of transport prices.

Figure 5: Disaggregated Darwin Transport Prices 1998 -2013



Source: CPI 2013d (Table13)

Note i. The 'Private Motoring' and 'All of Transport CPI Indexes follow almost identical lines, and therefore it is difficult to detect the 'all of Transport' line in this chart ii. One-third of the expenditure covered in the Urban Transport Fares category is taxi fares

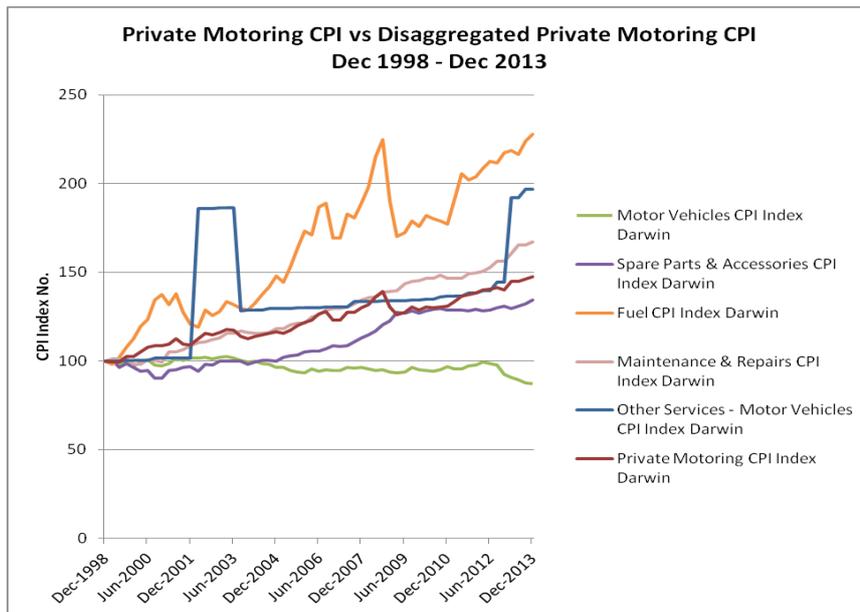
Two components of the broad transport category - fuel and urban transport fares - have gone up much more than CPI over the period. While fuel has gone up, the overall costs of private motoring have remained almost exactly in line with the 'All of Transport' CPI. This is because the purchase price of vehicles and parts has gone down or the rate of increase has at least been significantly lower than the generic CPI (see Private Motoring below). This means that transport cost of living pressures are related to the level of usage of transport. One-off costs (vehicle purchase) are getting cheaper (see Figures 6 & 7), while the costs related to usage (i.e. fuel and fares) are getting more expensive.

Private Motoring

In terms of the component parts of the CPI for the private motoring category in Darwin (see Figure 5) both the price of fuel and of 'other services in respect of motor vehicles' (such as motor vehicle registration, roadworthiness tests, driver licence fees, parking fees, driving lessons and tollway charges) have gone up significantly more over the period than the category average (Private Motoring line). The Private motoring line as shown by Figure 4, has been broadly aligned to the CPI over the last 15 years, but since 2009 it has dipped below the CPI line and remained consistently below. **This is due primarily to the purchase price of motor vehicles having risen slower than the generic CPI over the last 10 years or so, and having dropped in price every quarter since 2012.** This is in part due to changes in technology and to the high Australian dollar which makes imported cars and parts cheaper (SACOSS 2012).

If vehicle purchase prices had followed the generic CPI price rises, the price rises in other areas would mean that transport prices were increasing well above CPI and being a major living cost pressure. This is significant because while owning/buying a car is often a necessity in this society, the choice of what sort of car to buy is generally discretionary – so if car prices were going up, a low income consumer could buy a cheaper car. Low income households, in fact, spend less on vehicle purchases than higher income households – both absolutely and as a proportion of household expenditure (ABS 2011b, Table 3A). However, the same “buying cheap” strategy is not available in relation to fuel or flat rate motoring charges like registration, parking fees and drivers’ licences (2011e). Given that prices are increasing fastest in these categories, these price rises will impact more on low income households, as a proportion of their weekly income expenditure.

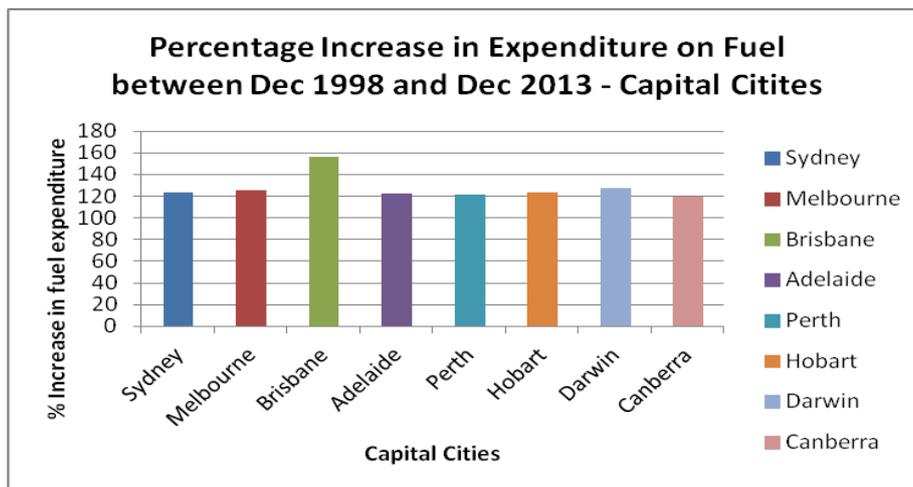
Figure 6: CPI - Private Motoring Prices, Darwin 1998 – 2013



Source: CPI 2013 d (Table 13)

Fuel

Figure 7: Comparison of fuel costs: CPI increases for Fuel over the last 15 years, Darwin



Source: ABS 2013d (Table 13)

For the period, September 20 – December 31, 2013, retail petrol prices in Darwin hovered between 167-168 cents per litre on average each day (inclusive of GST), before rising to 172 cents per litre by the end of the period. These prices are significantly higher than the national figures which ranged between 148 and 157 cents per litre on average each day during the same period. (Australian Institute of Petroleum, (2014)).

Table 10: Expenditure on Fuel by Household Type, Australia

	Ave. Weekly Expend \$	% of H/hold Expend
Lowest Income Quintile	20.69	3.7
Second Income Quintile	34.71	4.3
Third Income Quintile	51.28	4.4
Fourth Income Quintile	63.21	4.3
Highest Income Quintile	85.30	3.9
All Households	51.02	4.1
Welfare Recipients	24.93	4.0
• Age Pension	22.41	4.0
• Disability and Carer Payments	30.62	4.2
• Unemployment/Study Pay	33.30	4.6
• Family Support	36.13	4.3

Source: Derived from ABS 2011b (Tables 3A, 11A)

In terms of fuel expenditure, there are differential impacts on different household types at the national level, as Table10 above, shows.

The proportion of household expenditure which goes to fuel is fairly standard across all categories, but it is notable that welfare recipient households spend more on fuel than other low income households – both absolutely and as a proportion of their total expenditure.

Within the welfare recipient category itself, there are also variations in spending, with *those whose major source of income is unemployment benefits and study payments spend a greater proportion of their income on fuel than other households, and spend more absolutely than most other low income households* – again, despite the fact that their benefit levels are significantly lower than other government income support payments. Thus, those on Newstart and Youth Allowance would be particularly impacted by fuel price rises, both because of their small incomes and the amount they spend on fuel each week.

Urban Transport (Public Transport)

Urban transport fares in Darwin have increased significantly above CPI. This is explained in part by the fact that about one-third of the expenditure covered in the Urban Transport Fares category is taxi fares – which are not regulated by the government indexing - and the fact that from 1 January 2013, the NT Government increased general urban public bus fares by between 25 and 50% (and also brought in a charge for Concession Card Holders, who had previously travelled for free¹.

¹ From 1 January 2013, the following changes to fares were made:

- Concession card holders fares increased from \$0 to \$1 per trip (trips had been free since 2009)
- Adult three-hour fare went up from \$2 to \$3
- Adult daily fares went up from \$5 to \$7
- Adult weekly fares went up from \$15 to \$20.

It should also be noted that the average weekly expenditure on urban transport is only 2% of the amount spent on private motoring expenditure (calculation based on ABS, 2011d. See also Table 3 above). This means that the CPI Urban Transport Fares category has very limited weight in the overall CPI transport price index. However, as not all households use public transport, the CPI average figures underestimate the expenditure on public transport for many households. The figures are therefore averaged out over all households regardless of whether they use public transport, taxis and minibuses. For instance, if only half of all households use public transport regularly, then the actual average expenditure of those households that use public transport would be double the overall average expenditure figures.

Urban transport fare rises are also important because of the different access and social participation issues that arise. In Table 6, weekly expenditure on public transport is shown by different household types. Low income households spend less on public transport than the highest income households, both in actual dollar terms as well as a proportion of income. However, there are some important differences among low income households. Households in receipt of an income support (welfare) payment spend, on average, less than other low income households on public transport. **In the Northern Territory this partly reflects the fact that public transport is not available in many parts of the Northern Territory, particularly in smaller regional centres and remote areas where incomes are lower than the large centres.** In addition the lower expenditure is likely due to the less frequent use of public transport by income support recipients - as low income wage earners may be more likely to use public transport regularly to travel to work, and the concessions available to many welfare recipients reduces ticket prices for travel.

These same factors may underlie the fact that those on unemployment and study payments spend nearly twice as much on public transport as those on disability and carer payments and more than three times the expenditure of Aged Pensioners (based on national figures – not available at State/Territory level).

The greater expenditure of those on Newstart and Youth Allowances is significant because those payments are much lower than the Aged and Disability Pension, suggesting that any increase in public transport prices will impact proportionately more on unemployed people and students than any other low income group.

*It is interesting to note that the South Australia Council of Social Service (SACOSS, 2012) has called for **free off-peak public transport**, which they argue will disproportionately benefit those on the lowest income support payments and relieve transport cost of living pressures for those who need to go to education, training, job interviews, doctors, shops or to maintain social and family connections in the middle of the day.*

Table 11: Expenditure on Public Transport by Household Type, Australia

	Av. Weekly Expend \$	% of H/hold Expend
Lowest Income Quintile	1.92	0.34
Second Income Quintile	2.66	0.33
Third Income Quintile	5.29	0.45
Fourth Income Quintile	6.41	0.43
Highest Income Quintile	8.46	0.39
All Households	4.95	0.40
Welfare Recipients	1.49	0.24
• Age Pension	0.99	0.17
• Disability and Carer Payments	1.77	0.24
• Unemployment/Study Pay	3.34	0.47
• Family Support	2.31	0.27

Source: Derived from ABS, 2011b (Tables 3A, 11A)

Taxis & Minibuses

Table 12: Expenditure on Taxis by Household Type, Australia

	Av. Weekly Expend \$	% of H/hold Expend
Lowest Income Quintile	1.02	0.18
Second Income Quintile	1.05	0.13
Third Income Quintile	1.57	0.13
Fourth Income Quintile	2.54	0.17
Highest Income Quintile	5.30	0.25
All Households	2.29	0.18
Welfare Recipients	0.80	0.13
• Age Pension	0.88	0.16
• Disability and Carer Payments	1.23	0.17
• Unemployment/Study Pay	0.57	0.08
• Family Support	0.68	0.08

Source: Derived from ABS, 2011b (Tables 3A, 11A)

Nationally, income support recipients spend less on taxis (both absolutely and as a proportion of household expenditure) than other low income households – as evident in Table 7 above. This is possibly due to the cost of taxi travel making it unaffordable to many people who simply do not use them. The exception among income support recipients, however is that people on the age and disability support pension and those on carers payments spend significantly more on taxis, as a proportion of income, than other low income households (looking at the first three income quintiles). This is not altogether surprising, given that these are the people with greater mobility challenges.

This higher usage is also a reflection of the lack of accessibility of buses for those with disability and mobility challenges who are forced to use more expensive means of public transport – and in the Northern Territory - the lack of a formal community transport. It also suggests that the government subsidies available for taxi travel for those with disabilities are not fully off-setting the cost of taxi travel.

The Taxi Subsidy Scheme (TSS) provides assistance to permanent residents of the Northern Territory who have been assessed as having a disability or significant mobility restriction that prevents them from being able to use public transport to access the community. The disability may be physical, sensory, psychiatric or intellectual. TSS is intended to assist with transport needs, *not* meet all transport costs, by subsidising half of a taxi fare. (Northern Territory Government Department of Transport, 2014)

What these cost of living figures make clear is that the *increasing taxi fares (evident in the CPI Urban Transport Fares graph in Figure 5 above) impacts disproportionately on carers and those with a disability*. It also impacts disproportionately on high income earners who spend more than twice the average household on taxis, but higher income earners have more transport options and can more easily absorb the price increases. While public transport is important to provide transport options and allow social participation, private motoring dominates household transport expenditure – accounting for approximately 95% of transport expenditure (ABS, 2011d).

The overall transport situation in the Northern Territory is worth highlighting here – because a number of factors are hidden in the reliance on national data, which cannot take into account regional variations. The limited availability of public and community transport impacts on forces many low-income people (often in outlying areas of towns) to rely on other more expensive forms of transport (taxis, minibuses) to meet their everyday needs. NTCOSS believes that many income support recipients in the NT would spend far more than

the national average on taxi (and minibus) fares. Additionally, the issue of minibuses fares needs highlighting, as they are not regulated in the same way as taxi fares. Minibuses must display their fare structure on the bus window, but there are only so many specific fares that can be displayed, e.g. from town to a particular suburb (e.g. for \$20). The situation is different in Darwin (*where individual fares are charged and drivers may have multiple pick up points*) compared with Alice Springs (*where one fare is charged for a group of passengers*). While this may be more of an issue in Alice Springs than in Darwin, if the starting point for a trip is an address not displayed as part of the fare structure, it begs the question as to what guides the fare structure for such trips, and it could leave the system open. The reality is there will be situations where there is no clear guideline for regulating what a fare should be. **A system with minibus fares determined by a set rate per kilometre, would seem a more appropriate system.** There also needs to be clear information available for passengers about options for appeal, if they ever wish to dispute a fare.

Money spent on transport reduces money available for essential items, further exacerbating poverty and social exclusion for people who are low income and already face significant poverty

Table 13 Capital City Taxi Fare Rates, 2010 vs 2013

March 2014 Figures	Sydney	Melb	Bris	Adel	Perth	Hobart	Darwin	Canb
Peak Rates								
Flagfall	\$3.50	\$3.20	\$2.90	\$3.70	\$3.90	\$3.20	\$4.20	\$4.85
Distance Rate km	\$2.14	\$1.617	\$2.14	\$1.77	\$1.59	\$1.84	\$1.488	\$1.99
Booking Fee	42.40	\$2.00	\$1.50	Free	\$1.50	Free	Free	Free
Waiting Time p/h	\$53.30	\$33.96	\$47.40	\$38.20	\$45.70	\$36.26	\$53.73 p/h	\$52.00
Off Peak Rates								
Flagfall	\$6.00	\$3.20	\$6.30	\$4.90	\$5.70	\$3.30	\$5.00	\$4.85
Distance Rate km	\$2.57	\$1.9404	\$2.14	\$1.94	\$1.59	\$2.20	\$1.83	\$2.29
Booking Fee	\$2.40	\$2.00	\$1.50	Free	\$1.50	Free	Free	Free
Waiting Time p/h	\$53.30	\$33.96	\$47.40	\$38.20	\$45.70	\$36.26	\$53.73	\$52.00

Source: Taxi Fare Calculator (2014) Website

While the taxi fare rates in the Northern Territory compare quite favourably in relation to the other states and the ACT, these rates must be seen in the context of the overall transport picture in the NT. These figures don't take into account the heavy taxi usage by many low income Territorians, due to the poor access to other transport services. These figures also do not include the fares paid by people who access minibuses - where fares are not regulated, rather there is a system of fare by negotiation, with no consumer protections in place for customers, who may not all have the English language and negotiation skills to ensure a fair price for themselves. In addition, taxi prices have continued to increase in recent years, with the distance per km rate having gone up 9.7 % over the past 4 years.

Table 14 Darwin Taxi Fare Rates, 2010 vs 2013

Darwin Taxi Fare Rates			
Peak Rates	March 2010	December 2013	Increase in price (%)
Flagfall	\$4.10	\$4.20	2.4%
Distance Rate km	\$1.357	\$1.488	9.7%
Booking Fee	Free	Free	Free
Waiting Time p/h	\$46.75 p/h	\$53.73 p/h	14.9%
Off Peak Rates	March 2010	December 2013	Increase in price (%)
Flagfall	\$4.90	\$5.00	2.0%
Distance Rate km	\$1.669	\$1.83	9.6%
Booking Fee	Free	Free	Free
Waiting Time p/h	\$46.75	\$53.73	14.9%

Source: Taxi Fare Calculator (2014) Website, <http://www.taxifare.com.au/rates/australia> See Also Table 15, in Appendix, p. 17

The costs of remote travel in context

While there has been significant developments to the transport system in recent years, which have gone some way towards making transport more accessible (and in some cases more affordable) for more people – many gaps and needs remain. Some remote communities still have no public or commercial transport options. Transport for remote community residents, both between communities and into major centres, remains a prime concern, as well as transport within towns and around such as Tennant Creek, Katherine and Nhulunbuy. The population of remote Indigenous townships is increasing at a much greater rate than the larger regional centres, making it imperative that planning for remote public and other transport infrastructure to ensure timely and affordable transport services be given the highest priority.

To put the costs of remote travel into perspective, as a comparison, a family of four could fly from Alice Springs to Melbourne return for \$880 (\$129 out and \$89 back, per person) plus taxes and booking fees – well under the \$1300 for a return trip to Alice Springs from Elliott on a bus. A key issue is that a family travelling to Melbourne may make such a trip once or twice a year, **but for remote residents, trips are a far more common occurrence so that transport costs constitute a far greater proportion of their incomes, for many people who are low income earners.**

Summary of Disaggregated Transport Price Increases

When all the disaggregated data is taken into consideration, it is clear that some transport prices have gone up way above the generic inflation, while others have gone up at a rate less than the generic inflation or have even decreased.

Table 14 provides the figures which show these price movements and also their relative weight in the average Northern Territorian household expenditure. Over the last fifteen years, fuel prices have shown the biggest price increase (two and a half times the overall 'All Transport' CPI rate), followed by motor transport charges (other services in respect of motor vehicles) which were more than double the 'All Transport' CPI figure. Maintenance and repairs also rose much higher than the Transport CPI, while parts and accessories rose, but at a rate less than the general All Transport CPI,

And again, motor vehicle purchase prices have actually gone down over the last fifteen years – by more than nearly 15%, which translates into significant decreases in real prices once inflation and growing income is taken into account. Overall private motoring rose in line with the All Transport CPI

Table 15 Expenditure changes in different transport areas, Darwin

Cost of Living Area	% of transport expenditure	Price Change Darwin CPI Dec 2012- Dec 2013 change % increase	Price change since Dec 1998 Change % increase
Private Motoring	97.85 %	5.2 %	47.2 %
• Motor Vehicles	30.2 %	(-5.8 %)	(-12.9 %)
• Spare Parts and Accessories for Motor Vehicles	16.9 %	2.7 %	34.3 %
• Automotive Fuel	25.3 %	4.7 %	127.6 %
• Maintenance and Repair of Motor Vehicles	15.2 %	7.2 %	67.2 %
• Other Services in respect of Motor Vehicles	10.2 %	36.4 %	96.8 %
Urban Transport Fares	2.14 %	16.2 %	81.8 %
All Transport	100 %	5.6 %	48.1 %

Source: ABS, 2013d Tables 12 & 13 (Data 4 & 5). *see ABS 2011d 6471 (Table 2)

While the different level of price rises within the transport category balances out in the summary level CPI transport data and makes it roughly equal to the generic CPI, we know that the impacts of these different

transport price rises are not felt evenly across the community. Those who use transport more are likely to be hit hardest (because fuel and urban transport fares have gone up faster than CPI). Aspects of the various price increases have also had a disproportionate impact on some low income households because:

- The less discretionary expenditures (fuel, fees and charges) have gone up faster than the prices where there is greater flexibility for minimising expenditure (i.e. vehicle purchase);
- Households whose primary source of income is Newstart or a study payment spent proportionately more than other households on both fuel and public transport – both of which have gone up faster than CPI; and
- Those with disability use taxis more than other low income earners and are therefore particularly impacted by increases in taxi fares which have gone up faster than CPI.

Conclusion

The lack of an adequate transport system for the majority of the Northern Territory simply perpetuates 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.

A detailed look at transport prices shows that there are significant areas of concern in the Northern Territory with rising transport prices contributing to cost of living pressures in particular low income households.

Recommendations

A range of solutions are required to address the high expenditure on transport costs borne by Territorians facing transport disadvantage, which are exacerbated by the significant transport issues experienced by the Northern Territory. NTCOSS made several recommendations in a recent submission to the Northern Territory Government Transport Roadmap consultation.

- 1. Review of 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.**
- 2. Alter requirements for minibuses, so that fares are regulated in order to reduce the cost burden on low income Territorians (as at the moment they effectively operate on the basis of fare by negotiation, with the fare structure only displayed for some routes, not all). Consideration needs to be given to establishing a fare structure based on a set rate per kilometre, which all minibus companies are subject to.**
- 3. Provision of consumer education regarding the use of taxis, so that consumers are aware of the tariff rate system and what tariff rate applies at different times of day and days of the week**
- 4. Continue to support commercial bus services (e.g. Centre Bush Bus, Bodhi Bus) to ensure existing services remain, and can expand to increase regularity of services and establish services where none currently exist.**
- 5. Work to improve disability accessibility on all commercial buses to make them a more viable option for people with disability.**
- 6. Explore options to open up the Ghan as a more viable transport option for Territorians, e.g.**
 - Establishment of a courtesy bus into town/or suburbs of Alice Springs and Tennant Creek, Katherine
 - Establishing a platform at the Tennant Creek and Katherine stops for embarking & disembarking.
 - Developing further concessions for Territorians travelling on the Ghan – in addition to pension concession
 - Improve access on the Ghan for people with disability

7. Consider development of a light rail system in the Northern Territory

- A fast efficient, light rail with clean, well-lit carriages linking Darwin, Palmerston and Weddell would provide great benefit to all three cities.
- Services could be funded to run frequently and punctually, and fares subsidised to ensure that they are affordable for those on low incomes.
- It would provide exciting new opportunities for people on lower incomes to play their part in developing the prosperity of the Northern Territory.

8. Improve access to plane services across the Territory

- Investigate increases in plane services to communities in Central Australia
- The NT Government should also explore options for restoration of the air link between Darwin, Katherine, Tennant Creek, and Alice Springs
- Explore strategies for safely overcoming restrictions on plane travel for people with disability

9. Support the development of self sustainable community transport² options

Community Transport should be considered amongst a suite of approaches required to tackle transport issues in the NT. NTCOSS urges the Northern Territory Government to look beyond public bus systems and commercial transport to address the transport needs of Territorians; and specifically

- to investigate alternative models and support the implementation of community transport systems
- Explore resourcing the development of flexible and innovative community transport options across the NT, so local transport/support services can be developed in towns and in regional and remote areas.

10. Make improvements to road infrastructure

While outside of NTCOSS' area of experience, non-Government organisations have raised issues related to infrastructure, noted briefly here

- the need for improvement in roads out to remote communities across the NT; as current poor road conditions in many areas causing significant wear and tear on vehicles which travel in and out on a regular basis, and poor road conditions contribute safety issues as well.
- Develop more options for maintenance of motor vehicles for people living in remote areas, with help people maintain cars longer rather than discarding and purchasing another car, which is more economical where no mechanical services exist.
- Provision of community vehicles (for services) which are appropriate to meet the road conditions

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

The rising price of fuel in the Northern Territory and the resultant impact on weekly budgets for Territorians, particularly low income Territorians has been highlighted in this report. It is however, something that may be more complex to deal with in government policy, but given that fuel prices disproportionately impact on those on Newstart, there is a further reason to increase the base level for this payment which, at just \$35 a day is simply not enough to live on, in line with calls by the Australian Council of Social Service (ACOSS), and a number of other prominent organisations 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.

See the full suite of recommendations in the NTCOSS submission to the Northern Territory Government 'Integrated Transport Planning and Investment Roadmap' (Feb 2014)

<http://www.ntcoss.org.au/sites/www.ntcoss.org.au/files/NTCOSS%20submission%20-%20Transport%20Roadmap%20Feb%202014.pdf>

² '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.

APPENDIX: 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, 2013b).

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.

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.

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). However, the expenditures that formed the base data and weighting (from the 2009-10 *Household Expenditure Survey*) add up to well over the actual welfare payments available (even including other government payments like rent assistance, utilities allowance and family tax benefits). Clearly 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.

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 – but 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.

The weightings in the Selected Living Cost Indexes are also based on a set point in time (from the 2009-10 *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.

Finally, the Selected Living Cost Indexes’ household income figures are based on households that are the average size for that household type: 1.52 people for the Aged Pensioners, and 2.57 for the Other Welfare Recipients (ABS, 2013b). This makes comparison with allowances difficult. This Report generally 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. 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.

3. Use of Darwin CPI with NT figures

State and Territory CPI figures are not available through the ABS. Darwin CPI figures are used to calculate current expenditure figures from the 2009-10 HES Expenditure Data. Given the relatively similar expenditure figures for Darwin and the NT as a whole, use of the Darwin CPI provides a fairly accurate basis for deriving the figures.

4. Pension and Newstart (and Family Tax Benefit) Calculations for Table 2

FTB A 31 Dec 2012 figure based on maximum payment for parent with one child under 13 (\$84.84) and one secondary student between 13-19 (\$110.32); FTB B based on \$50.33 maximum payable to family with youngest child over 5) – assuming income test requirements are met.

FTB A 31 Dec 2013 figure based on maximum payment for parent with one child under 13 (\$86.10) and one secondary student between 13-19 (\$112). And FTB B based on \$51.10 maximum payable to family with youngest child over 5) – assuming income test requirements are met.

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

The Household Assistance Package (HAS) payments to address carbon tax price increases were made available to most pensioners and adult allowance recipients (including Newstart) from 20 March 2013. For the period 20 September to 31 December 2013, these payments added \$6.85 a week to the single pension and \$4.25 to Newstart for singles and \$4.60 to those with dependent children – and are included in the calculations used in Table 2.

5. Calculation of Average Earnings Figures

The average earning figures have been calculated based on the following table from ABS census data (2011), showing median weekly incomes. The weekly household figures were used (and multiplied by 52 weeks), to align with the focus of this report on household expenditure.

<u>Median weekly incomes</u>	Alice Springs	%	Northern Territory	%	Australia	%
<i>People aged 15 years and over</i>						
Personal	481	--	745	--	577	--
Family	1,156	--	1,759	--	1,481	--
Household	900	--	1,674	--	1,234	--

http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/SSC70005?opendocument&navpos=220

This report draws on the: SACOSS (2012), Cost of Living Update No. 10, May 2012, South Australian Council of Social Service, Adelaide.

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