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Executive Summary

This SACOSS Cost of Living Update is the first in a six-monthly series of papers to explore the real cost of living in South Australia. In addition, the report includes explanation of our methodology for the analysis of the core essentials, and exploration of some income sources.

By showing the ways in which core expenses can be calculated, it provides a template for future work in these areas. Most of all, it will, through research and data analysis, show that it is the ‘big four’ expenses of housing, food, energy and transport, that shape the ability or inability of individuals, families and households to participate fully in society.

This *Update* shows that in order to correctly gauge rises in the cost of living, a number of key expense areas need to be viewed in conjunction with the traditional Consumer Price Index-focussed approach. By using the ‘All Groups CPI’ we get an average figure across both essential and discretionary items that can mask the true increases in essentials that low income households experience.

The expenses singled out for this study are the basic essentials required to survive in contemporary society, as opposed to those that are required to thrive. In fact, SACOSS does not intend to argue or prove that these expenses comprise even the cost of survival in its entirety. The costs calculated and discussed merely represent those which all households must pay, and represent the core essentials in the sense of staving off complete financial and social disaster. These costs include:

- Housing – private rental
- Energy – gas and electricity
- Food
- Transport – car running costs

Housing costs have increasingly been seen to comprise a substantial proportion of household income, and thus a major concern for those on low and fixed incomes. Compounding the plight for many disadvantaged people in South Australia is the decline in public housing dwellings, long waiting lists, and low private rental vacancy rates across metropolitan Adelaide. Housing needs to be seen not as a stand-alone issue, but as one of a set of inextricably linked issues that must be viewed as a whole.

A key issue associated with housing is energy which represents a significant expenditure item and a point of financial stress. Lower income households spend a much greater proportion of income on energy expenses even when the government concessions are taken into account.

Food pricing shapes dietary choices for low income households, potentially leading to a negative impact on health and wellbeing. Within this report we have utilised the data available from Grocery Choice. The recent announcement of the demise of Grocery Choice means that a basket survey approach will be implemented prior to the next SACOSS *Cost of Living* publication.

The increased urban sprawl that has been the hallmark of development in the last two decades has meant that the geographical barriers to social and employment opportunities have become significantly more pronounced, and the lack of an appropriate integrated public transport system that caters for outlying urban areas reinforces this disjoint.

Income types used for this analysis have been chosen to reflect the lower two household income quintiles in South Australia. Moreover, complicated scenarios that would involve complex calculations of wages/salaries, tax, and government transfers have been avoided, with a focus instead on:

- Minimum wage income
- Sole parent, reliant solely on government benefits
- Single unemployed person on Newstart Allowance
- Single Person on Pension (Aged and Disability Support)
- Single Youth Allowance recipient

The key findings of the SACOSS *Cost of Living Update* show that the rising costs of housing, energy, food and transport are compounding to put pressure on low and fixed income households. It is clear that in order to address disadvantage in South Australia, a more thoughtful approach is needed that takes into account the real costs of items essential to survival, rather than relying solely on average price assessments of the broader range of items.

Key Findings

- All Groups CPI (Adelaide) has risen by 8.8% since March 2006.

Housing

- Rents CPI has risen by 15%, but additional data shows the following median weekly rental costs for Adelaide:
 - 1 bedroom unit: over 33%
 - 2 bedroom unit: just under 30%
 - 3 bedroom house: over 23%
- Housing represents between 42 and 82% of household income for Centrelink recipients, according to median rental prices in Adelaide. This has risen from a range of 36 to around 69% in March 2006.

Energy

- Electricity CPI has risen by 14.4%
- Gas and other Household Fuels CPI has risen by nearly 20%
- Electricity Supply charges alone have risen above CPI – over 21%
- Gas supply charges have risen by over 26%

Food

- Food CPI has risen by over 18%, including:
 - Meat and Seafood: 13.3%
 - Dairy and Related Products: 22.9%
 - Bread and Cereal Products: 20.9%
 - Fruit and Vegetables: 18.1%

Transport

- At March 2009 average prices, it cost the average motorist over \$37 per week in fuel alone.

Acronyms

AAA	Australian Automobile Association	NATSEM	National Centre for Social and Economic Modelling
ABS	Australian Bureau of Statistics	NSA	Newstart Allowance
ACOSS	Australian Council of Social Service	OCBA	Office of Consumer and Business Affairs
ACTCOS	Australian Capital Territory Council of Social Service	OECD	Organisation for Economic Cooperation and Development
AGHE	Australian Guide to Healthy Eating	PAYG	Pay As You Go (Income Tax)
AIHW	Australian Institute of Health and Welfare	PhA	Pharmaceutical Allowance
AP	Age Pension	PP	Parenting Payment
ATO	Australian Tax Office	RA	Rent Assistance
CPI	Consumer Price Index	RAA	Royal Automobile Association
CTP	Compulsory Third Party (Bodily) Insurance	REIA	Real Estate Institute of Australia
DSP	Disability Support Pension	REISA	Real Estate Institute of South Australia
DTEI	Department of Transport, Energy and Infrastructure	SACOSS	South Australian Council of Social Service
ESCOSA	Essential Services Commission of South Australia	SES	Socioeconomic Status
ESL	Emergency Services Levy	TAL	Telephone Allowance
FTB A	Family Tax Benefit Part A	UA	Utilities Allowance
FTB B	Family Tax Benefit Part B	ULP	Unleaded Petrol
GDP	Gross Domestic Product	YA	Youth Allowance
GFC	Global Financial Crisis		
GST	Goods and Services Tax		
HES	Household Expenditure Survey (2003-04)		
HFB	Healthy Food Basket		
kWh	Kilowatt Hours (electricity consumption)		
MJ	Mega Joules (gas consumption)		

Introduction

The SACOSS *Cost of Living Biannual Update* aims to put the issue of poverty into a micro-economic context – the micro-economy of the household and the vital expenses it incurs. By showing the ways in which these expenses can be calculated, it also provides a template for future work in these areas. Most of all it will, through research and data analysis, show that it is the ‘big four’ expenses of housing, food, energy and transport that shape the ability or inability of individuals, families and households to participate fully in society.

Debate about good economic times and increased wealth is often focused on average incomes and overall growth in household, business and national wealth. Beyond the public cherry-picked data, the real story of Australian society is one of increasing income and wealth disparity, and a growth in the number of Australians living at or below accepted poverty lines. Statistics show that in terms of GDP the Australian economy grew by an average of 3% between 2001 and 2006. Applying the standard OECD poverty line measure (50% of median income) shows that between 1994 and 2004, poverty increased from 7.6% to 9.9%. More specifically, South Australia’s poverty levels rose from 6.7% in 1994 to 12.3% in 2006 (SACOSS, 2007). Alarmingly, children are over-represented in these figures, signifying the particular vulnerability of families to situations of poverty.

The statistics cited above highlight the fact that even during the economic ‘boom’ of the beginning of the 21st century and before the onset of the Global Financial Crisis, many Australians were struggling to meet everyday expenses, let alone participate fully in society. These figures indicate a growing disparity between those living in relative comfort and those living in poverty.

In order to fully understand and iterate the pressures on low income households, it is necessary to look to the median rather than the average – and the rises in the costs of essentials – rather than the often more obvious rises in non-essential expenses. We know, for example, that while CPI has risen modestly in recent times and even negatively in the most recent statistics (ABS, 2009), it has risen considerably more in the case of essential expenditure items such as housing, food and energy and transport. This is of particular concern given the importance of these items

Goods and services such as housing, food and energy and transport represent items that are necessary for basic survival, but alone and at their bare minimum are insufficient to ensure participation in contemporary Australian society. Other costs which may also be considered essential are clothing and footwear, medical and pharmaceutical costs, education expenses, telecommunications, water, and even internet access. Other expenses such as recreation and entertainment can be considered to be less important in strict terms, but are important for social inclusion.

These costs have not been covered in the main bulk of this paper or in the detailed calculations as data regarding costs in the ABS Household Expenditure Survey 2003-04 (ABS, 2005) is fairly limited due to the nature of their collection and reporting. However it is possible for the reader to utilise the data in this paper to construct their own case study for particular household scenarios.

What SACOSS calculations do show is that after paying for essentials, there is often little or no money left for any discretionary spending. In situations where the basic costs of living are covered, a socially and culturally acceptable standard of living is not assured.

Data sources and methods

The data cited in this *Update* is from various sources and the processes of collection and calculation have had as their focus the maintenance of a coherent approach to the different costs of living. In this sense, approaches used in other papers of this type, despite their usefulness in certain contexts, have not been emulated here. This is largely due to the type of data available from mainstream statistical sources, and the limitations in terms of their utility in the specific sense. This section briefly outlines the data sources and methodologies employed in the *Cost of Living Biannual Update*.

Expenses

Individual expenses have been calculated as far as possible given limited data, and averages have been avoided where possible. In some cases, average consumption data has been used alongside real per unit costs to calculate overall costs to the household. It must however be reiterated that the expenses singled out for this study are the basic essentials required to *survive* in contemporary society, as opposed to those required to *thrive*. In fact, SACOSS does not intend to argue or prove that these expenses comprise even the cost of survival in its entirety. The costs calculated and discussed below merely represent those which all households must pay, that represent the core essentials in the sense of staving off complete financial and social disaster. These costs include:

- Housing – private rental
- Energy – gas and electricity
- Food
- Transport – car running costs

In all of these expense areas, data has been taken from the March period of each year and indexed in order to compare to CPI and relevant components of CPI. Where data is limited in certain areas, the relative component CPI has been compared to 'All Groups' CPI, as this is often taken to represent rises in the costs of living.

Housing costs

Median private rental data has been sourced from the Real Estate Institute of SA (REISA) and more specific data for three bedroom homes and 1 and two bedroom units from Office of Consumer and Business Affairs (OCBA) data sets. The alternative of social housing is noted in the calculations as a possibility only – it is known that the waiting list for Housing SA homes and those provided through community housing organisations is prohibitively long, and that many of those in most financial stress are living in private rental accommodation.

Food and household items

Food represents a particularly difficult area for reliable data collection. Given that food prices are variable and that food is often viewed (often through necessity) as a discretionary item to a certain extent, it is difficult to gauge the effect of rising costs as in other areas such as housing or energy. Almost by necessity, the costs of food and basic essentials were obtained from the now defunct *Grocery Choice* website. While *Grocery Choice* figures have been used, 'Food' CPI for Adelaide has also been used as a tool for comparison with All Groups CPI. Initial scoping had been done around incorporating a Healthy Food Basket (HFB) or Market Basket Survey into the data set, however resource constraints rendered this untenable in the short term. The recent announcement of the demise of *Grocery Choice* (Lane, 2009 : Maher, 2009) means that a basket survey approach will be implemented prior to the next *Cost of Living Biannual Update*.

Energy (gas and electricity)

Unit prices for gas and electricity have been obtained from 'Standing and Default Contract' prices published in the South Australia Government Gazette. Unit prices are for the January to March period of each year and are therefore higher (for electricity) than those for the remainder of the year. Usage estimates have been taken from the work of research scientist Monica Oliphant, available on the Department of Transport, Energy and Infrastructure (DTEI) website. By averaging annual estimated usage over the day (for electricity) or quarter (for gas), total weekly prices can be calculated by dividing the period usage into the relevant pricing tiers.

Transport

Transport has, for the purposes of this research, been taken to mean the costs associated with running a motor vehicle. While it is acknowledged that there is, in some cases, the option of public transport, the inadequacies of the public transport system in Adelaide and South Australia as a whole mean that in many cases running a car is the only viable option. In calculating the costs of running a car, a number of expenses were factored in, including fuel, servicing, registration, and insurance. Additional expenses such as minor and major repairs and the fitting of tyres have been excluded due to their periodic nature and the *Update's* explicit goal to provide a baseline only. Data on these expense has been collected from various sources, including the Royal Automobile Association, Australian Automobile Association fuel data, South Australian Government registration information, Kmart Tyre and Auto, and online insurance quotes.

Together, this data provides a picture of the true costs associated with running a relatively new model car, although depreciation and finance costs have been excluded. What has not been done under the transport heading is a comparative indexation of expenses. This is largely due to the fact that fuel prices are highly variable, and, given the contribution made by fuel to the costs of running a car, it was deemed unhelpful and ultimately less than useful to analyse fuel data in this way.

Income

As previously mentioned, the income types used for this analysis have been chosen to reflect the lower two household income quintiles in South Australia. Moreover, complicated scenarios that would involve complex calculations of wages/salaries, tax, and government transfers have been avoided, with a focus instead on:

- Minimum wage income
- Sole parent, reliant solely on government benefits
- Single unemployed person on Newstart Allowance
- Single Person on Pension (Aged and Disability Support)
- Single Youth Allowance recipient

Income figures are less difficult to source than expenses when taking this approach, and any calculations necessary in terms of tax and other offsets are likewise relatively painless. However it is difficult to arrive at more complex income figures for households with multiple sources of income, and this approach has been avoided for the sake of simplicity.

For federal government benefits, figures from the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) have been used. These payments include:

Core payments

- Newstart Allowance (NSA)
- Parenting Payment (PP)
- Aged Pension (AP)

- Disability Support Pension (DSP)
- Youth Allowance (YA)

Additional payments and allowances

- Rent Assistance (RA)
- Family Tax Benefit Parts A and B (FTB)
- Utilities Allowance (UA)
- Telephone Allowance (TAL)
- Pharmaceutical Allowance (PhA)

Not all core payments permit recipients to receive all additional allowances. Table 1 outlines the eligibility of core payment recipients for additional payments, assuming all recipients other than the Parenting Payment recipient are single and have no dependent children.

Table 1: Eligibility for additional payments and allowances

	RA	FTB	UA	TAL	PhA
NSA					
PP					
AP					
DSP					
YA					

In the case of state minimum wage incomes, figures have been sourced from *Safework SA*. These sources provide weekly and hourly wages for full time employees over 21, which have been used in their basic form – that is, without the addition of leave loading or the subtraction of Pay as You Go income tax.

Rounding

Throughout the *Update*, figures are rounded in the following ways:

Indexation: Indexes are rounded at each point of change to the nearest decimal point. Therefore final index figures may not exactly reflect total percentage changes in all cases.

Percentage change and average percentage change: Percentages and percentage change figures are rounded to the nearest decimal point.

Real Costs: When real costs are provided (dollars and cents), figures are rounded to the nearest cent. In the case of energy prices, costs were initially rounded to the nearest 5 decimal points in line with the tiered unit pricing method, before being rounded to the nearest cent for real costs.

Housing

Housing is the most important basic essential in any society, even when viewed as an essential of life and not as a relative need. All individuals, families and households require safe, affordable and stable housing in order to function in society and in turn to contribute to society and the economy. Housing costs have increasingly become a substantial proportion of household income, and are thus of major concern to those on low and fixed incomes. More worrying are the rises in private rental housing costs across South Australia. Table 2 demonstrates the changes to median rents across Adelaide and the rest of South Australia from March 2006 to March 2009.

Table 2: Cost of Housing (median rent per week), Adelaide and Rest of State, 2006-2009

	<i>1 BR Flat</i>		<i>2 BR Flat</i>		<i>3 BR House</i>	
	<i>Adelaide</i>	<i>Rest of State</i>	<i>Adelaide</i>	<i>Rest of State</i>	<i>Adelaide</i>	<i>Rest of State</i>
<i>1st Qtr 2006</i> ¹	\$150	\$100	\$185	\$135	\$235	\$170
<i>1st Qtr 2007</i> ²	\$160	\$105	\$200	\$140	\$250	\$180
<i>1st Qtr 2008</i> ³	\$180	\$102	\$220	\$160	\$270	\$200
<i>1st Qtr 2009</i> ⁴	\$200	\$125	\$240	\$155	\$290	\$210
<i>Total Rise</i>	<i>\$50</i>	<i>\$25</i>	<i>\$55</i>	<i>\$20</i>	<i>\$55</i>	<i>\$40</i>
<i>Total % Rise</i>	<i>33</i>	<i>25</i>	<i>30</i>	<i>15</i>	<i>23</i>	<i>24</i>
<i>Ave % annual rise</i>	<i>10.1</i>	<i>7.7</i>	<i>9.1</i>	<i>4.7</i>	<i>7.3</i>	<i>7.3</i>

This table shows that housing stress is a real issue across many Adelaide suburbs, for many income levels. The generally accepted definition of housing stress posits that households suffer from housing stress when they are represented in the lower 40% of the median household income strata, and housing costs exceed 30% of disposable income. Using this definition, it can be seen that even in lower cost Adelaide suburbs, housing stress is a very real phenomenon. In Hackham, for example, with average rent for a three bedroom home being \$242, the disposable income for that household would have needed to be in excess of \$800 per week in March 2008 to avoid housing stress.

Table 2 also shows that while price rises have been persistent, they have not been evenly spread through time or across regions. The highest three year rise has been in metropolitan one bedroom flats, which saw a 33% rise over the period, indicative of the trend towards higher price increases in the metropolitan area. three bedroom houses have bucked this trend, with the total rise over the period being 24% for 'rest of state', compared to 23% for the metropolitan area. Nevertheless, homes in rural and regional South Australia remain cheaper than their metropolitan counterparts, additional expenses aside.

¹ Research and Analysis Unit, Department for Families and Communities (2006).

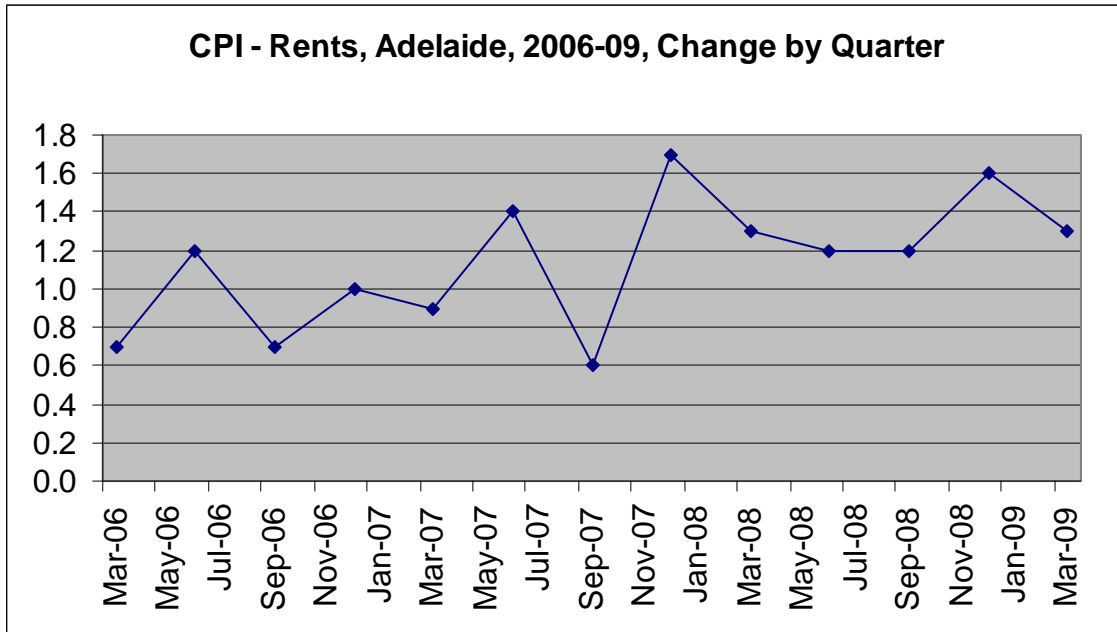
² Research and Analysis Unit, Department for Families and Communities (2007).

³ Research and Analysis Unit, Department for Families and Communities (2008).

⁴ Research and Analysis Unit, Department for Families and Communities (2009).

While CPI figures for housing costs show modest increases, rental costs have shown a gradual but marked increase over the last three years. These rises highlight the growing challenges to household budgets and a general 'belt-tightening' for low income individuals and households already under pressure. CPI increases for housing inadequately indicate the real costs of housing for those on low and fixed incomes. Overall, CPI for rents in Adelaide has risen by 15% between March 2006 and March 2009, with many fluctuations during the period (Figure 1).

Figure 1: CPI for rents in Adelaide



At the same time that CPI has risen by 15%, OCBA data shows that rents have risen significantly higher than this for all of the selected housing types (excluding two bedroom flats in regional SA at 15%). Moreover, the rises in rents as lodged with the OCBA Tenancies Branch have been higher than CPI in every annual period, in both metropolitan Adelaide (Figure 2) and Rest of State (Figure 3).

Figure 2: CPI and OCBA comparison, Adelaide.

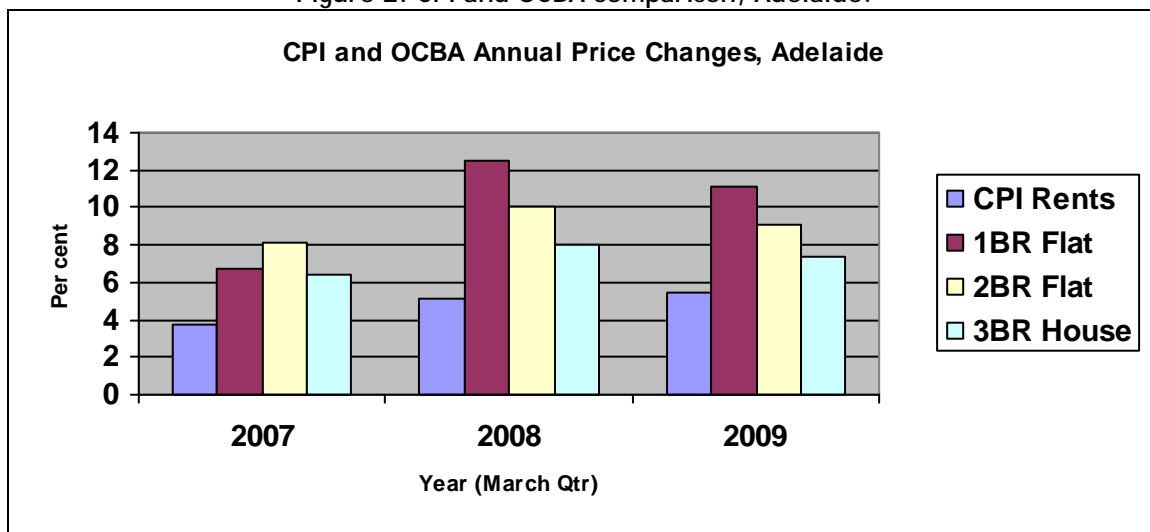
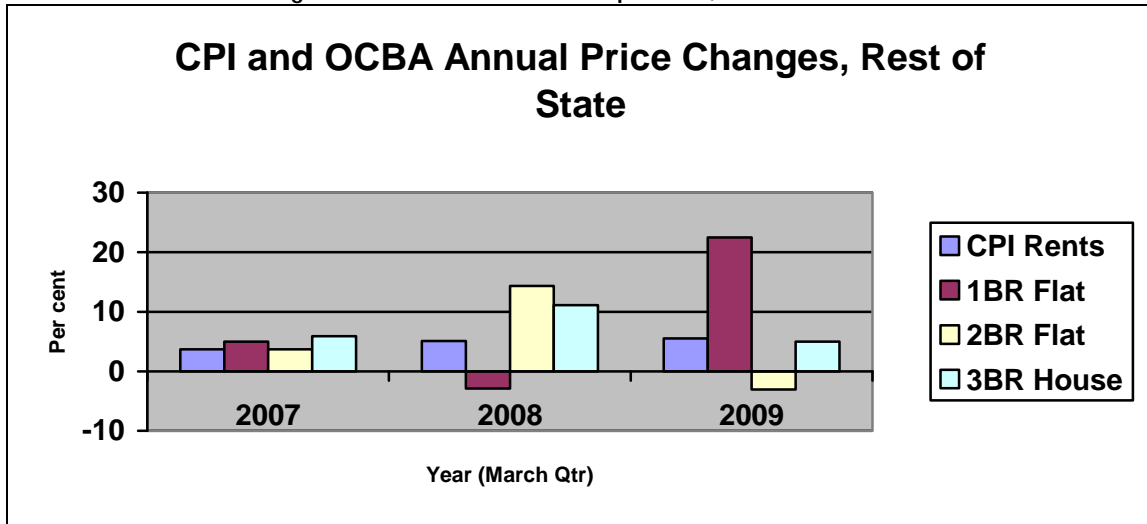


Figure 3: CPI and OCBA comparison, Rest of State.



When indexation is used as a comparative tool, it can be seen that South Australian rents in every dwelling type and location (excluding two bedroom flats in RoS) have an accumulative price rise that is significantly above CPI. Table 3 uses indexation to show these accumulative rises, and the average annual rise for each subject.

Table 3: Rents - CPI and OCBA annual rises - Index and average annual rise

	CPI	1 BR Flat		2 BR Flat		3 BR House	
		Adel	ROS	Adel	ROS	Adel	ROS
Mar 06	100	100	100	100	100	100	100
Mar 07	103.7	106.7	105	108.1	103.7	106.4	105.9
Mar 08	109	120	102	118.9	118.5	114.9	117.7
Mar 09	115	133.4	124.9	129.7	114.9	123.4	123.5
Total Rise	15%	33.4%	24.9%	29.7%	14.9%	23.4%	23.5%
Ave % annual rise	4.8	10.1	7.7	9.1	4.7	7.3	7.3

Figures 4 and 5 show in graph form the differences in indexation for real rental prices as lodged with OCBA and CPI. It can be seen that while CPI has been steadily increasing since 2006, real rental prices have been increasing at a faster rate. While in Adelaide these increases have been sustained, in the Rest of State indexed prices have fluctuated more widely. This may reflect fluctuations in vacancy rates and abnormalities in terms of change of tenants.

Figure 4: Index - CPI and OCBA prices, Adelaide

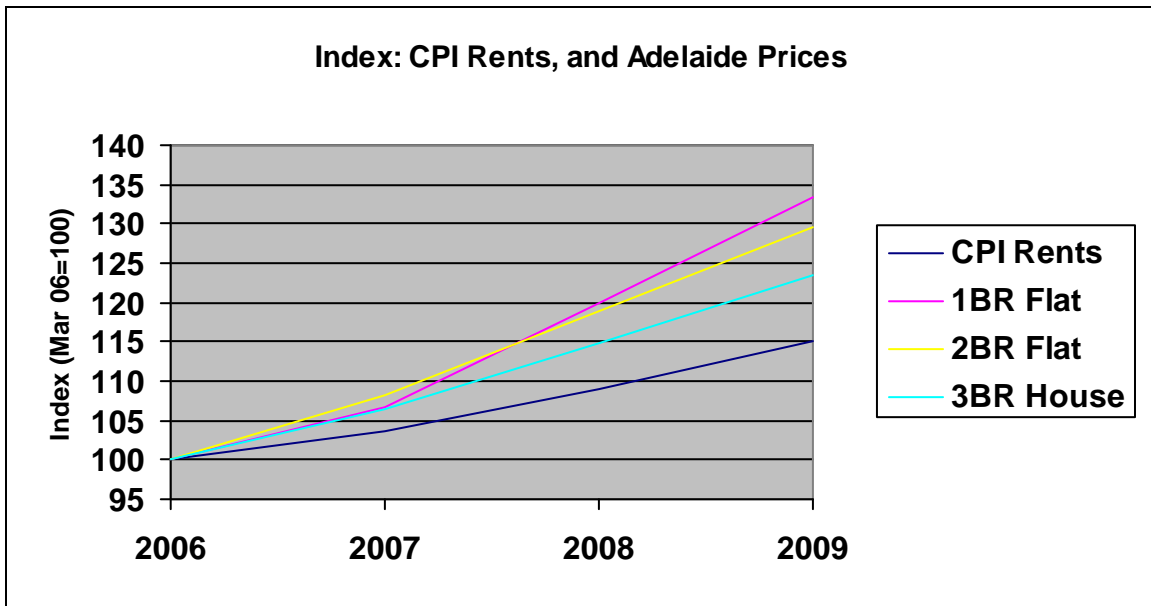
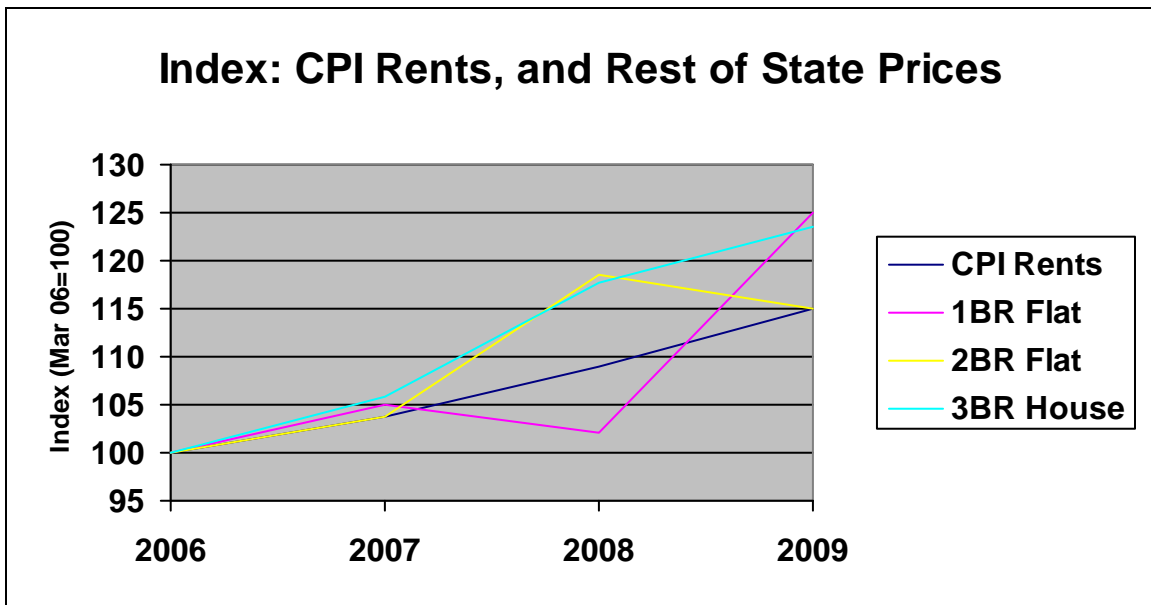


Figure 5: Index - CPI and OCBA prices, Rest of State



Compounding the plight for many disadvantaged South Australians are the falling numbers of public housing dwellings, increasing waiting lists and the low private rental vacancy rate across metropolitan Adelaide. According to figures collected by the Real Estate Institute of South Australia (REISA, 2008) the six geographical areas demonstrated the following vacancy rates in December 2008:

- City region The city and North Adelaide – 1.86%
- Western region The suburbs west of West Terrace, between Port Road and Anzac Highway, which exclude Glenelg suburbs – 1.36%
- Southern region The suburbs south of South Terrace, between Glen Osmond Road and Anzac Highway, including Glenelg suburbs – 1.13%
- Eastern region The suburbs east of the city square, between Payneham and Glen Osmond Roads, excluding the Hills – 1.37%

- Northern region The suburbs north of North Adelaide, between Port and Payneham Roads, turning into Lower North East Road – 0.91%
- Hills region The suburbs from Crafrers to Nairne – 0.97%
- Total volume: 3,816 (compared to 5,550 in Dec 2007)

It should be noted that there are two alternatives to the private rental market for low income households: public housing and community housing. Both these types of rental housing charge around 25% or less of gross household income in rent, although this varies according to the assessable and non-assessable income of the household in question. For public housing, rent does not exceed 25% of gross household income, and for the purposes of gauging rent, the following income types are assessable:

- All wages, salaries, pensions and benefits;
- FTB Part A: Additional Component (not Basic Component)
- For single people, FTB Part B

Most allowances are not assessable, such as:

- FTB Part A: Basic Component
- Carer Allowance
- Veterans Affairs Disability Pension
- Pharmaceutical Allowance
- Telephone Allowance

For community housing, rental rates are more variable, but tend to group within the range of 20-30% of gross assessable household income. One of the main inhibitors to the greater uptake of public and community housing in South Australia is the waiting factor. For public housing through Housing SA, the waiting list as at 30 June 2008 was 24,804 applicants (AIHW, 2009b). For community housing, the waiting list at the same time was 4,307 – nearly equal to the number of households already living in community housing (4,370) (AIHW, 2009a).

Access to housing is a basic human right, and appropriate, secure and affordable housing is a basic principle of the social determinants of health. When people have a stable home life they are more able to access employment, study, enjoy better health, and engage with the community around them. Thus housing should not just meet basic requirements, but has to be environmentally, economically, socially and culturally appropriate. The increased urban sprawl that has been the hallmark of development in the last two decades has meant the geographical barriers between people and social and employment opportunities have become significantly more pronounced, and the lack of an appropriate integrated public transport system that caters for outlying urban areas reinforces this disjoint. In this respect, housing needs to be seen not as a stand-alone issue, but as one of a set of inextricably linked issues that must be viewed as a whole, as a system. This system includes (for the purposes of this *Update*) transport and energy in particular.

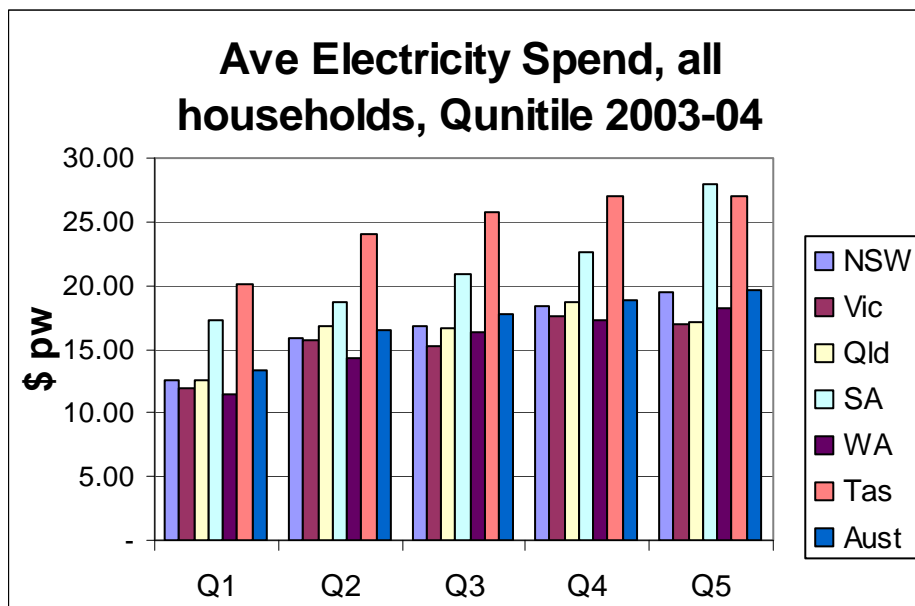
Energy

The importance of energy to the health and wellbeing of a household is irrefutable. All homes require energy in the form of electricity and/or gas for food storage, cleaning and personal hygiene, and heating and cooling. In this sense, while households and individuals in many circumstances could do without personal transport and use existing public transport systems, no household in contemporary society can do without energy. Despite – or perhaps due to – its importance, energy represents a significant expenditure item for many South Australians, and a point of financial stress for many.

Due to its significance, a plethora of data around energy, its costs and provision continues to emerge from a number of sources. The ready availability of data around energy usage, costs, and expenditure presents a challenge in its analysis, due to areas of conflict within and across data sources. The following discussion makes use of HES data as part of the analysis, while also using more specific and up-to-date data from additional sources.

It is significant that electricity spending in the HES survey period was greater in South Australia than in any other mainland state or territory, with only Tasmanians paying more on average per week than South Australians, in all but the highest income quintile (Figure 6).

Figure 6: Electricity Expenditure by State, Quintile
(ABS, 2005)



Additionally, HES data highlights the fact that households in the lowest quintile pay significantly more as a proportion of income on energy, and indicates that the payment of energy bills presents difficulties (Figures 7 and 8). This data is strengthened by figures from the Essential Services Commission of South Australia (ESCOSA) which show that over 30% of South Australian electricity consumers receive their energy at the concessional rate, saving up to \$120 per year, 10% of the average annual electricity bill (Figure 9).

Figure 7: Electricity Expenditure by Quintile, SA
(ABS, 2005)

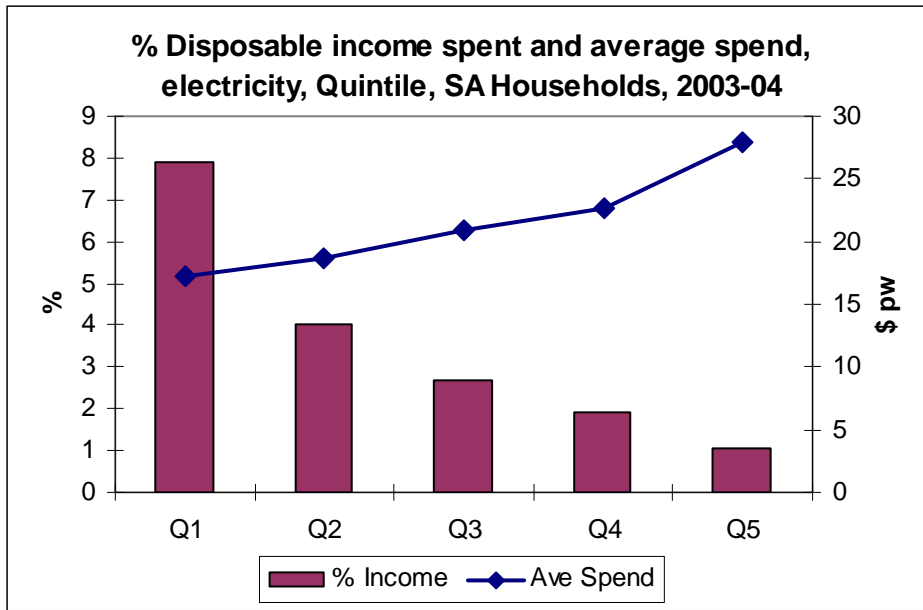


Figure 8: Financial Stress Indicators, SA

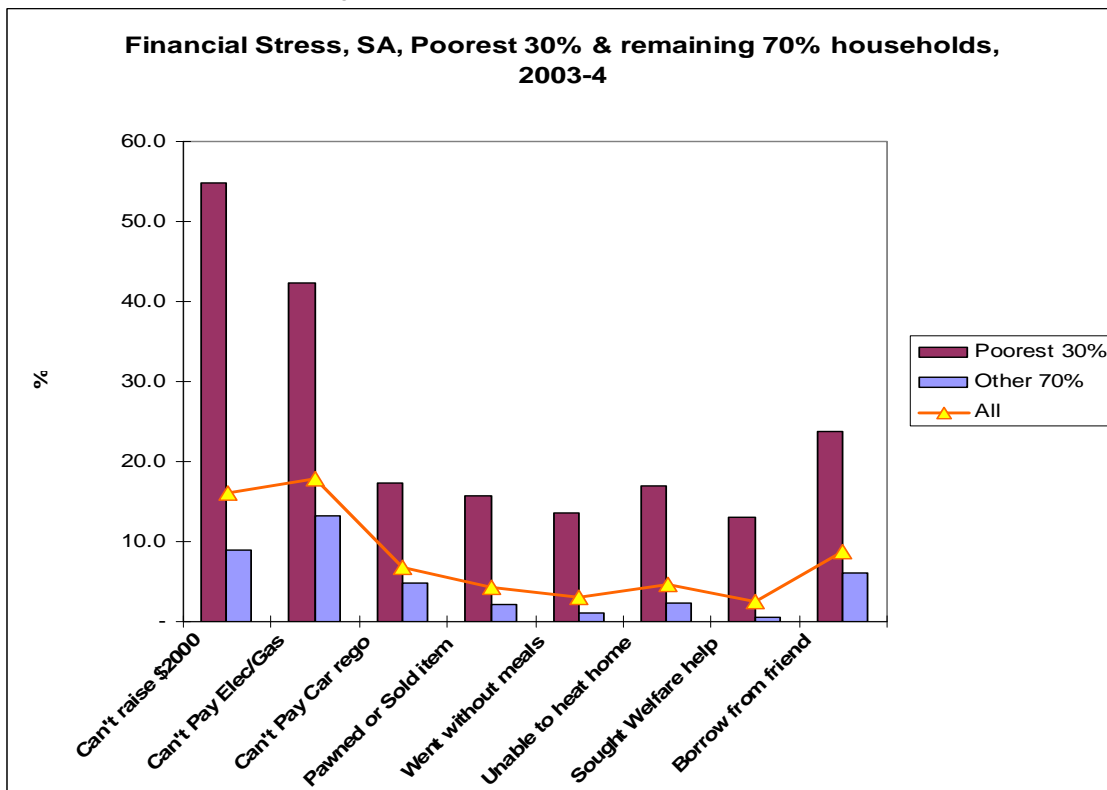
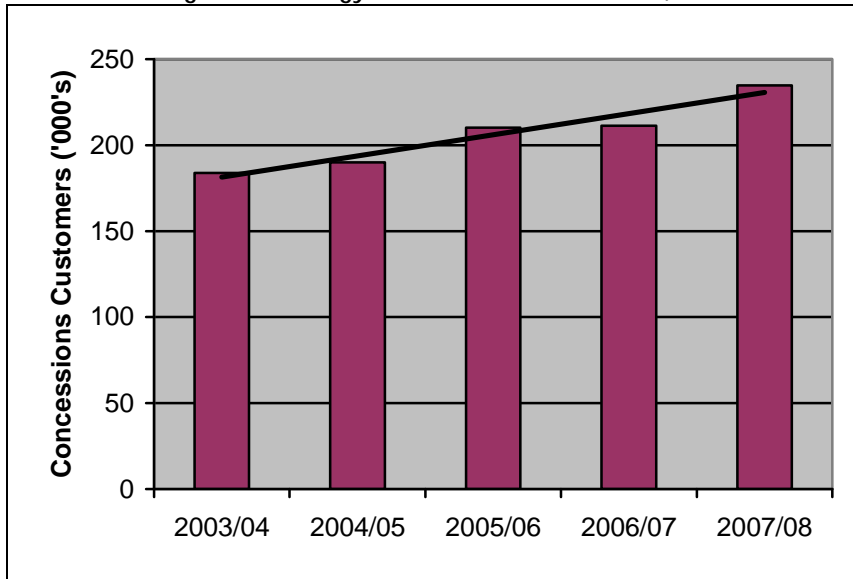


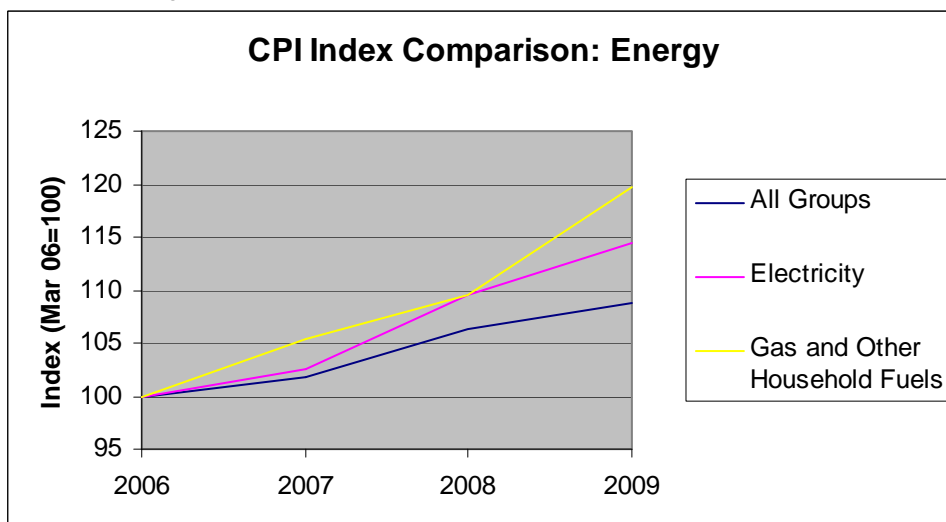
Figure 9: Energy Concessions Customers, SA



There are two concerning factors regarding the impact of energy costs on low income households. The first is that in order to maintain a healthy home, certain levels of energy usage for heating and cooling must be maintained. This is particularly true of households that include young children, the elderly, and those with medical conditions requiring constant temperature or humidity conditions. The second is that energy costs have risen above and beyond the overall CPI, and this causes a change in spending habits, as well as the ability to pay bills on time and avoid disconnections.

Data analysis shows that while CPI for Adelaide has risen by a total of 8.8% since March 2006, CPI for electricity has risen by 14.4%, and for gas and other household fuels by just under 20%. This means that while rises in incomes have in some cases outstripped CPI as a whole, energy costs have risen well beyond both of these. Figure 10 compares the CPI All Groups index to those for 'Electricity' and 'Gas and Other Household Fuels'.

Figure 10: CPI - All Groups and component comparison



CPI data tells us that energy costs – one of the most important expenditure items in any household – have risen well above the overall CPI upon which many incomes are judged. This means that while core incomes (eg wages, Commonwealth benefits, etc) and additional allowances (eg Utilities Allowance) have kept pace with CPI, they have not in fact kept pace with energy prices.

As part of its Cost of Living research, SACOSS has identified a process by which the actual costs of energy for particular households can be calculated. This provides some real costs (as opposed to percentage increases and indexes), as well as a focus for comparison between energy types, and real energy prices and consumer price indexes. In each of the scenarios presented below, the weekly cost has also been calculated to take into account the \$120 per year state government energy concession, which has not changed since 2004.

Energy usage data averages vary from source to source, and the data used has been chosen for its variability, and the existence of electricity and gas household data, as well as data for different household composition. Table 5 shows energy usage estimates for various scenarios according to Monica Oliphant, research scientist in energy, as provided on the Department of Transport, Energy and Infrastructure (DTEI), Energy Division website.

Table 4: Annual Energy Usage
(Oliphant, n.d.)

	<i>Annual Usage</i>				
	<i>All Electric</i>	<i>All Gas</i>		<i>Electric and Gas</i>	
	Electricity (kWh)	Electricity (kWh)	Gas (MJ)	Electricity (kWh)	Gas (MJ)
<i>Household size</i>					
<i>One</i>	4900-6600	2300-3100	17900-23900	2800-3700	10900-14500
<i>Two</i>	6600-8800	3300-4400	27000-36000	4500-6000	16200-21600
<i>Three</i>	7600-10100	4200-5600	34400-45900	5200-7000	19000-25100
<i>Four</i>	8700-11200	5000-6600	40000-53000	6100-8200	23000-30700
<i>Five</i>	12200-16300	6000-8000	46300-62000	7500-10000	25000-33000
<i>Six or more</i>	11600-15500	4300-5800	41000-55600	7500-10000	25200-33600

The data from Table 5 can be used to calculate costs for various households based on household size. What cannot be done, however, is the calculation of household use and expenditure according to socioeconomic status.

Having accepted these usage figures, pricing data is in itself problematic. This is because there are three tiers of usage for electricity, and two for gas – not counting supply charges. Prices for this *Update* have been taken from the South Australian *Government Gazette*, and reflect the prices as at March of each year, 2006 to 2009. Tables 6 and 7 show the changing March prices for electricity and gas over this timeframe.

Table 5: Electricity Costs daily usage, Jan-Mar period

<i>Pricing Tiers (usage per day)</i>	<i>Unit Price (cents per unit)</i>					
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>Total change (cents)</i>	<i>Total % change</i>
<i>First 3.2877kWh (Tier 1)</i>	16.973	17.831	18.546	18.964	1.991	11.7
<i>Next 7.6712kWh (Tier 2)</i>	19.756	20.064	20.746	21.285	1.529	7.7
<i>Thereafter (Tier 3)</i>	20.988	21.362	22.044	24.079	3.091	14.7
<i>Supply (per day)</i>	35.53	37.037	40.733	43.065	7.535	21.2

Table 6: Gas prices per MJ per quarter, as at March

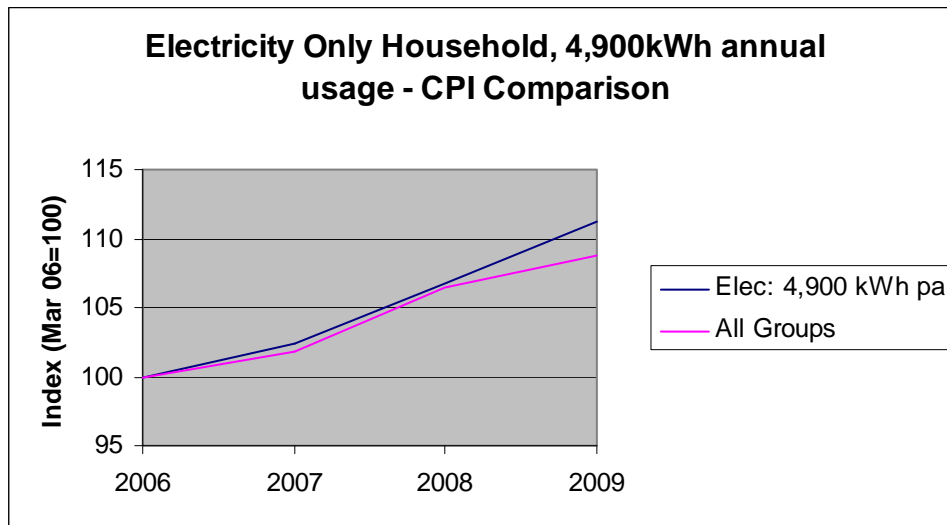
<i>Pricing Tiers (usage per quarter)</i>	<i>Unit Price (cents per unit)</i>					
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>Total change (cents)</i>	<i>Total % change</i>
<i>First 4500 MJ (Tier 1)</i>	1.90949	1.9704	2.0453	2.16172	0.25223	13.2
<i>Thereafter (Tier 2)</i>	1.2397	1.2914	1.3488	1.42219	0.18249	14.7
<i>Supply</i>	3861	4093	4319	4869.7	1008.7	26.1

By using the data in Tables 5 to 7, the actual costs of energy per week can be calculated for hypothetical households. Table 7 shows the weekly cost of electricity for the lowest 'Electricity Only' household. An index comparison to All Groups CPI is provided in Figure 11.

Table 7: Weekly Electricity Cost for Household using 4,900 kWh per year

Annual use	4,900kWh			
Daily Use	13.42kWh			
Daily Tier Pricing Levels	By year - March quarter prices			
	2006	2007	2008	2009
<i>3.2877</i>	0.55802	0.58622	0.60973	0.62348
<i>7.6712</i>	1.51552	1.53914	1.59147	1.63281
<i>2.4611</i>	0.51653	0.52574	0.54252	0.59261
<i>Supply</i>	0.3553	0.37037	0.40733	0.43065
<i>Total</i>	2.94537	3.02147	3.15105	3.27955
<i>Total (rounded)</i>	2.95	3.02	3.15	3.28
<i>Weekly total price</i>	\$20.65	\$21.14	\$22.05	\$22.96
<i>Weekly incl. concession</i>	\$18.34	\$18.83	\$19.74	\$20.65
<i>% change</i>	n/a	2.4	4.3	4.1
<i>Index (2006=100)</i>	n/a	102.4	106.8	111.2

Figure 11: Electricity scenario and All Groups CPI



Given that many homes are not 'electric only' (that is, they run cooking appliances, heaters and hot water systems on gas), these figures represent the weekly costs for only some households. Table 8 shows the calculations made in order to arrive at the weekly cost of a low usage household that uses both electricity and gas, outlined in Table 9. It is evident in Table 8 that the methods of calculation are different for the two forms of energy. This is based on the fact that while both forms are billed quarterly as the default position, electricity usage costs are calculated on daily usage, while gas is charged on a quarterly usage cycle.

Table 8: Weekly energy costs for low usage household, Electricity and Gas

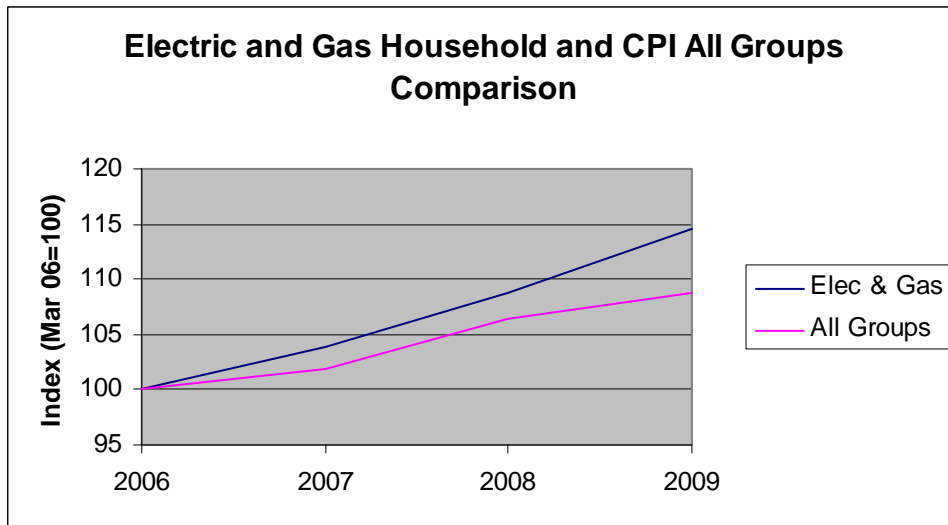
<i>Electricity</i>		<i>Gas</i>	
<i>Annual Use</i>	2,800kWh	<i>Annual Use</i>	10,900MJ
<i>Daily Use</i>	7.67123kWh	<i>Quarterly Use</i>	2,725MJ
Tier Pricing		Tier Pricing	
3.2877 @ Tier 1 +		2,725 @ Tier 1 +	
4.38353 @ Tier 2 +		Supply = Total Quarterly Cost (x 4 = annual) (annual ÷ 52 = weekly)	
Supply = Total Daily Cost (x 7 = weekly cost)			

Table 9: Total weekly costs, electricity and gas household

<i>March Quarter</i>	<i>Total Weekly Cost, \$ and cents</i>					
	<i>Electricity</i>	<i>Gas</i>	<i>Total</i>	<i>Inc. Concession</i>	<i>% Change</i>	<i>Index</i>
2006	12.46	6.97	\$19.43	\$17.12		
2007	12.88	7.28	\$20.16	\$17.85	3.8	103.8
2008	13.51	7.61	\$21.12	\$18.81	4.8	108.8
2009	13.93	8.28	\$22.21	\$19.90	5.2	114.5

These figures show that energy costs – even for households that use well below the average – have risen significantly since 2006 (Figure 12).

Figure 12: Index - All Groups CPI and SACOSS energy cost comparison



It may be said that households are, in general terms, becoming more energy efficient, and this may well be true. What such comments fail to account for is the inability of rental or low income households to affect energy consumption through purchasing more efficient appliances or retrofitting homes to conserve energy. More significant is the rise in supply charges for both electricity and gas – well beyond the unit cost rises – that hamper the ability of households to lower their bills through energy efficiency (Figure 13). Figures 14 and 15 compare the rises in unit pricing (by tiers) and supply charges for electricity and gas.

Figure 13: Supply Charges as total of energy bill

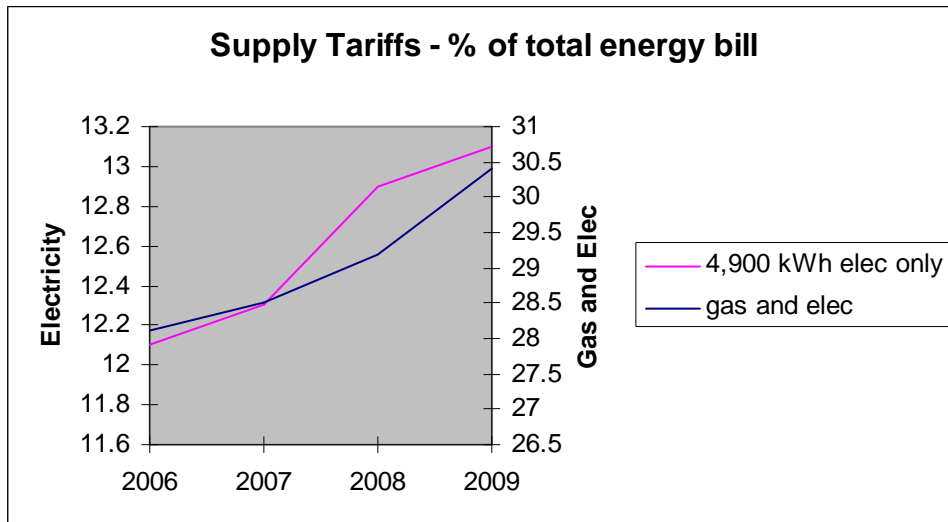


Figure 14: Index - electricity pricing tiers

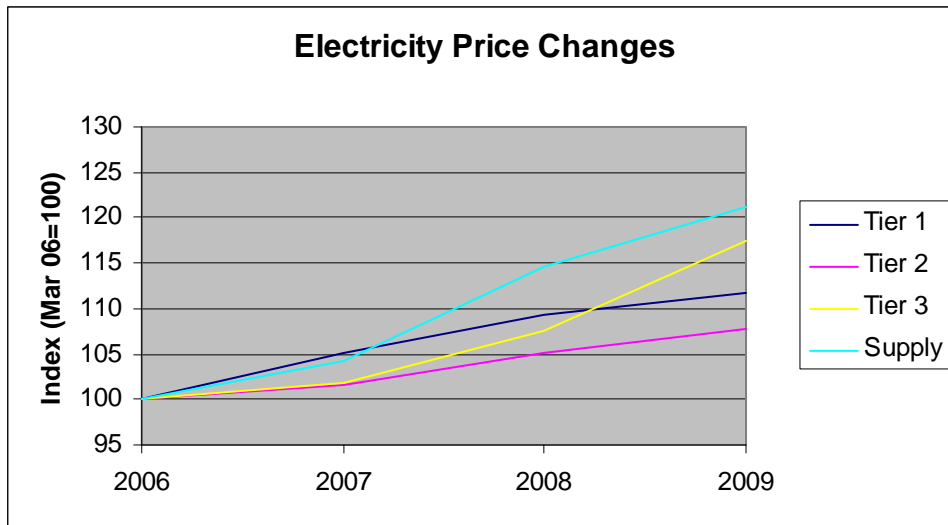
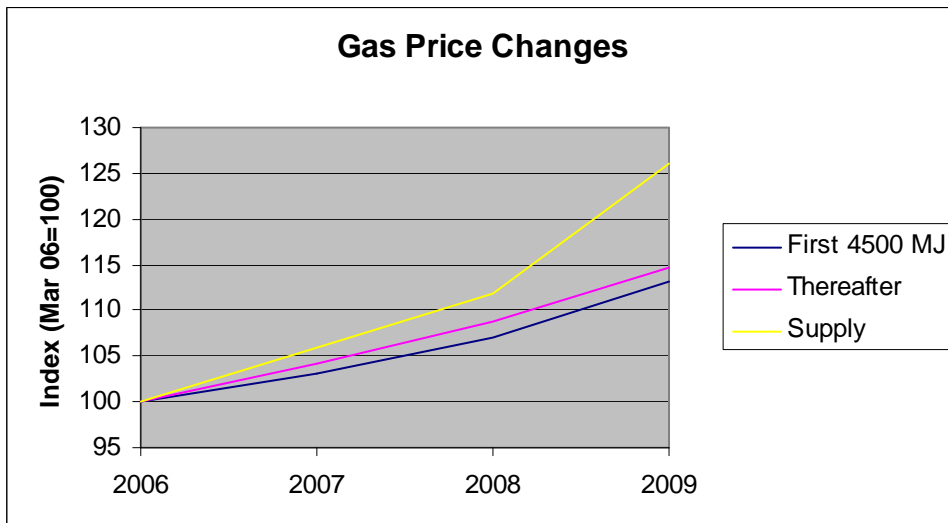


Figure 15: Index - gas pricing tiers



Food

Food is not only vital for health and wellbeing, but also represents a significant proportion of household expenditure. More concerning is the accepted fact that when other costs of living rise, such as housing and energy, less is spent on the provision of food, thus directly affecting people's health and wellbeing.

CPI data shows higher overall growth in the cost of food over the period March 2006 to March 2009 than that evident in All Groups CPI. While in Adelaide CPI has grown by 8.8% over the three-year period, CPI for food has risen by 18.1%. Recently, no change to the overall CPI has corresponded to a 2.1% rise in the cost of food over the March 2009 quarter. Figure 16 provides a comparison of CPI growth in food and all groups from March 2006 to March 2009. Figure 17 shows the index growth for food compared to all groups over the same period. This illustrates the trend in CPI growth, rather than the 'ups and downs' of seasonal variations.

Figure 16: CPI Comparison, Adelaide Prices

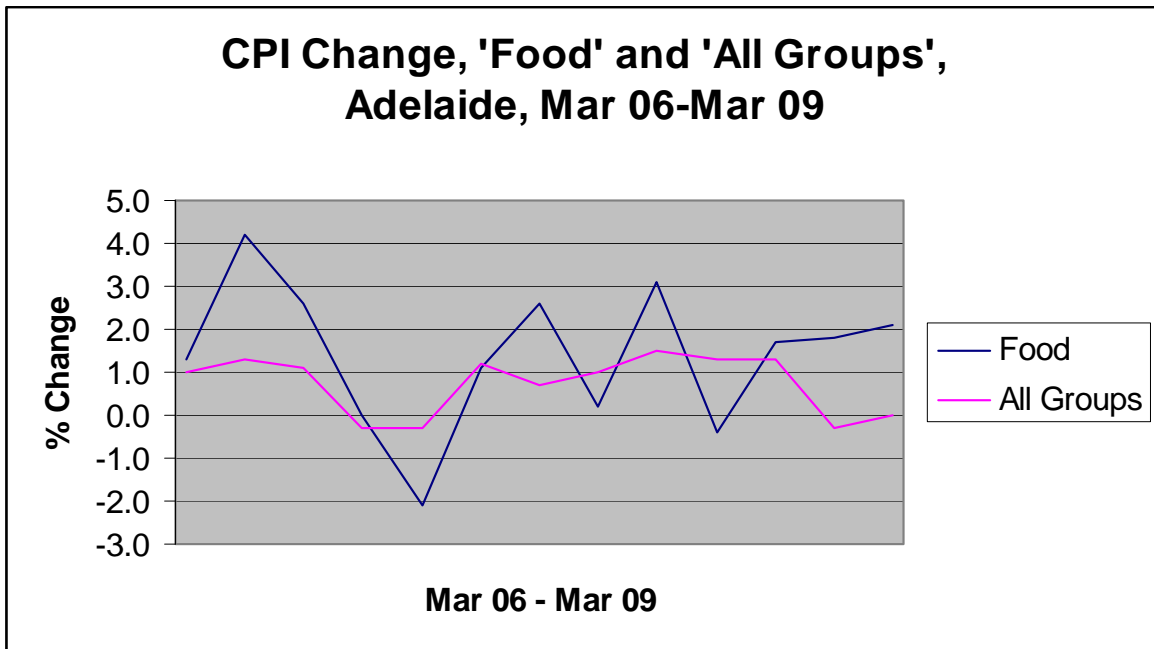
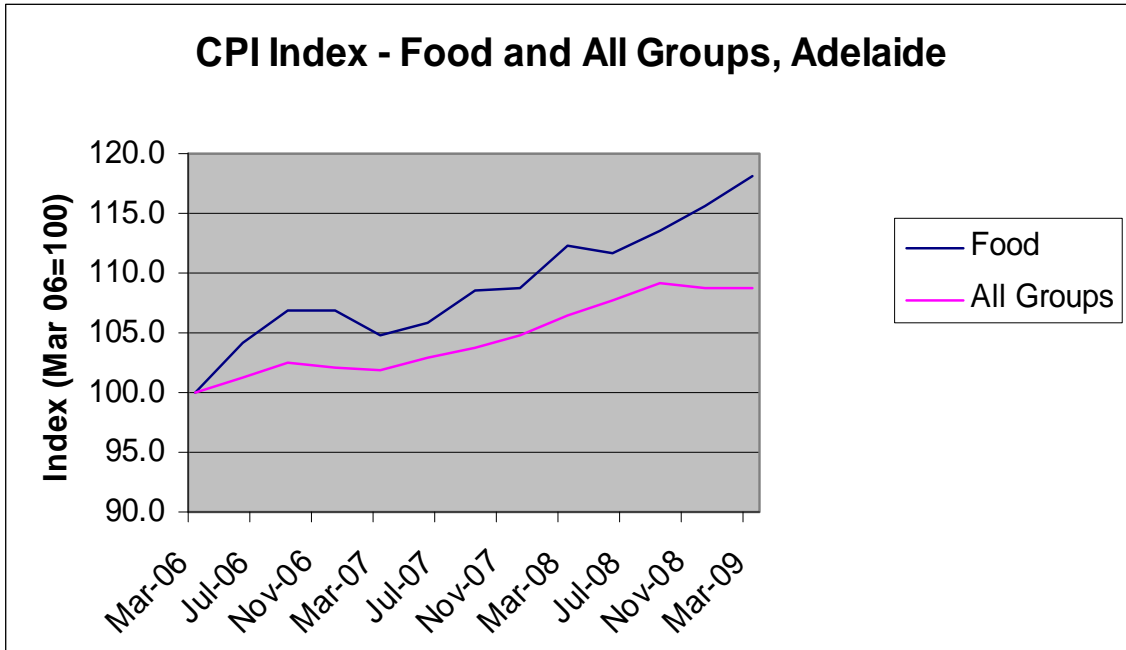


Figure 17: Index, All Groups CPI and Food CPI, Adelaide



While it is concerning in itself that food prices in general have risen at a faster rate than CPI, it is even more concerning that fruit and vegetables have risen by 4.9% over the March 2009 quarter alone, while All Groups CPI has not risen at all. What this tells us is that although food is a vital component of household expenditure, rises in food prices are insufficient to drive up CPI in its totality. Moreover, some food items have risen at a much higher rate than others, potentially limiting the dietary choice for low income households (Figures 18 to 20).

Figure 18: Food Items - index comparison

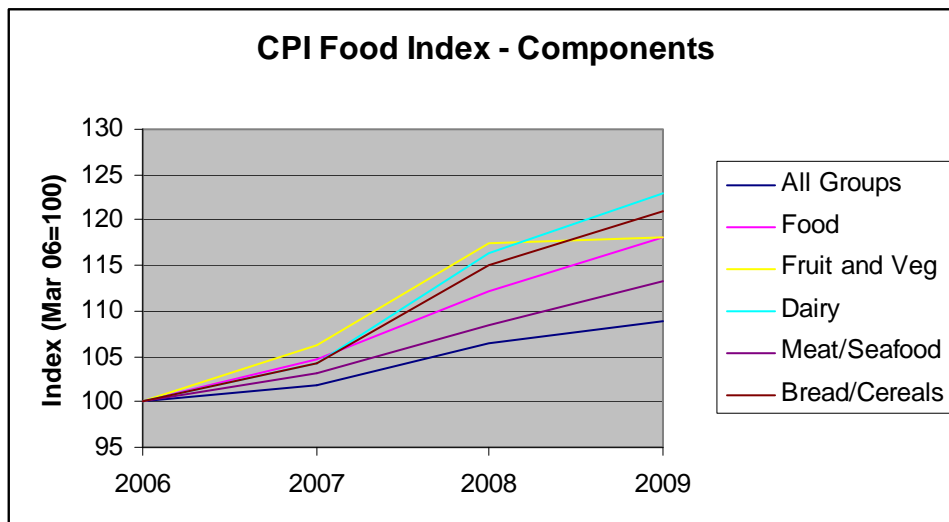


Figure 19: Average Quarterly growth, selected groups

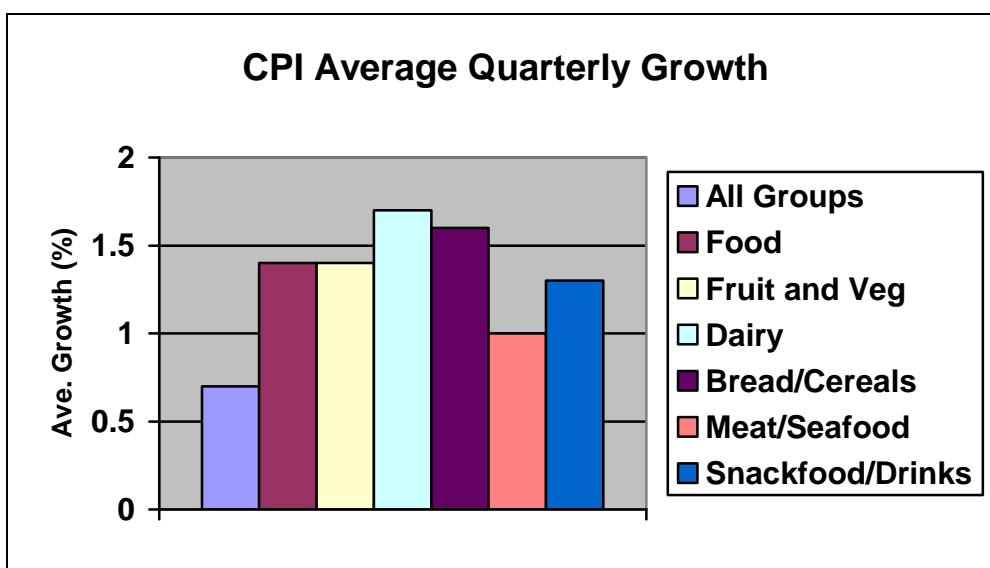
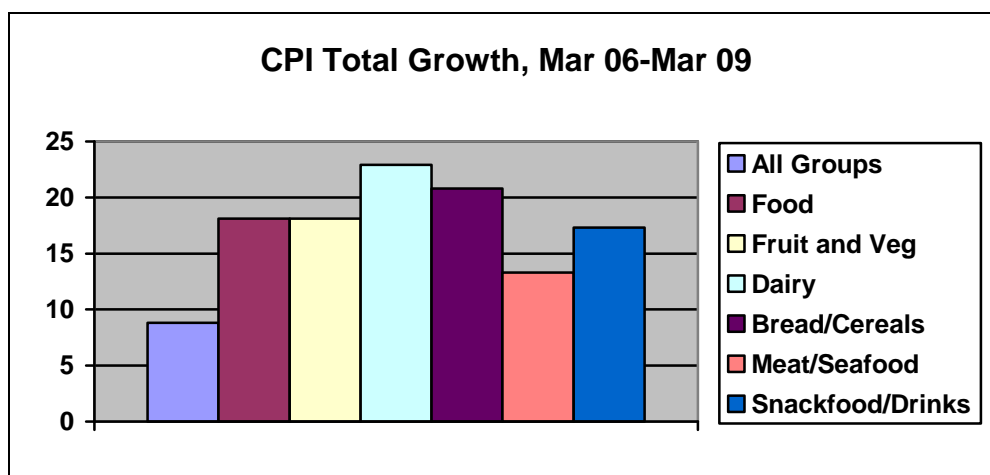


Figure 20: Total CPI growth, selected groups



What these graphs tell us is that although food is a vital component of household expenditure, rises in food prices are insufficient to drive up CPI in its totality. Thus in the previous two quarters, CPI All Groups has remained steady or even fallen and CPI for food has risen. More importantly, when CPI is cited in this situation the true cost of providing a healthy diet is masked by aggregated figures.

The data cited so far does not show what the costs of food and household items are for any given household. This area of expenditure is probably the most difficult to quantify without undertaking detailed surveys of a range of household types and retail outlets. What SACOSS has done in order to provide some more 'tangible' data for analysis in the context of this paper.

Research by SACOSS found that there were two viable alternatives to using ABS data: undertaking a market basket survey, based on Healthy Food Basket (HFB) methodology; and simply using data from the *Grocery Choice* website. While in future SACOSS will endeavour to undertake the former, the latter option was chosen in this case as the most resource-effective means to arriving at conclusions regarding the costs of food and household items in Adelaide.

According to *Grocery Choice*, the cheapest average shopping basket in the Adelaide metropolitan area in early February 2009 was \$157.83 in the 'Adelaide East' area. For the same area in mid-June 2009, the basket cost \$164.54, representing a rise of 4.3%. This corresponded with a rise in the 'Basic Staples' basket of 6.2% (Table 10).

Table 10: *Grocery Choice* costs for Adelaide East, 2009.

<i>Woolworths</i>			
<i>Basket</i>	<i>February 4</i>	<i>June 16</i>	<i>% Change</i>
Meat & Seafood Basket	\$27.99	\$29.33	4.8
Fruit & Vegetable Basket	\$24.55	\$28.64	4.1
Dairy Basket	\$16.26	\$16.62	2.2
Bread & Cereals Basket	\$21.51	\$22.01	4.6
Drinks & Snacks Basket	\$21.56	\$21.20	(1.7)
General Groceries Basket	\$18.35	\$19.47	6.1
Household & Personal Care Basket	\$27.61	\$27.27	(1.2)
Total of above baskets	\$157.83	\$164.54	4.3
Basic Staples Basket	\$80.17	\$85.12	6.2

The *Grocery Choice* methodology, while not fully iterated, was based on an average weekly shopping basket for a range of items– not on receipts received from retail outlets. This means that the prices quoted are of limited but nevertheless important potential for gauging the cost of food and cleaning and personal care products. The source also gave the average basket price for 'basic staples' which included items from each of the other 'baskets' of various food types, personal care and household items. Data for *Grocery Choice* came from a survey of 600 retail outlets across Australia, with items weighted according to importance for health and wellbeing.

By using the basic staples shopping basket, the comparison of income to expenses recognises that many households do not purchase many discretionary items in their weekly shopping, relying instead on the basic essentials. These basic essentials must include not only food, but products required to maintain good hygiene – both personal and within the home. It is uncertain just how far the basic staples basket would go towards this end, given the lack of thorough methodology provided by *Grocery Choice*. Furthermore, discretionary items, which include those which help to maintain positivity in the household (a bottle of soft drink or a tub of ice cream may represent comfort to a family otherwise unable to partake of the comforts of life) are not included.

Despite its limitations, for want of more in-depth and reliable data *Grocery Choice* figures have been used in this update and in the scenarios. In the scenarios, most have been assigned the basic staples basket due to the fact that they are lone person households and thus expenditure on food and other household items can be seen to be minimal. In future *Updates*, SACOSS plans to undertake a limited market basket study, based on Healthy Food Basket (HFB) methodology and the Australian Guide to Healthy Eating (AGHE). This will enable the calculation of what constitutes a healthy food basket for a week for various household scenarios, as well as the cost of non-discretionary personal care and household items, and discretionary items such as ice cream and soft drink.

Transport

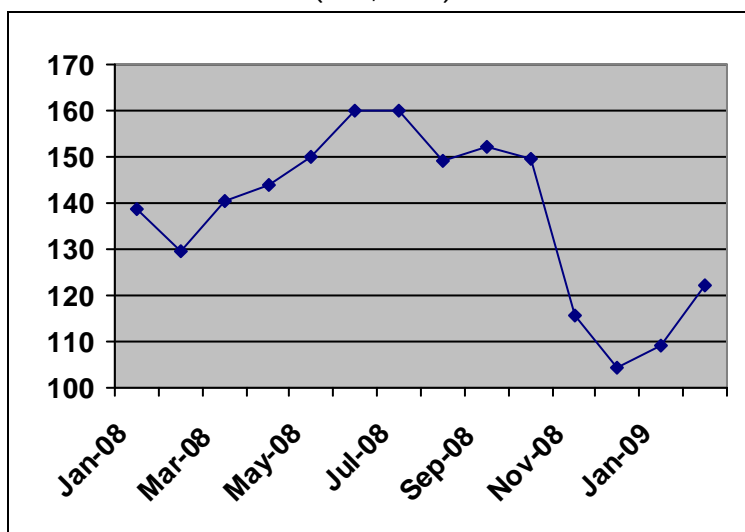
One of the major costs incurred by South Australian households is for transport, or the costs of running a motor vehicle. Fuel prices, in particular, in Adelaide have doubled since 2002 and this looms as an even more important issue as urban sprawl means that formerly rural areas such as Gawler, Mount Barker and Aldinga/Sellicks Beach represent the new urban boundaries. This is particularly critical in South Australia due to the lack of an adequate, integrated public transport system.

Data shows that the cost of fuel does not follow a predetermined trajectory in the short term. Table 11 and Figure 21 show the average monthly cost of unleaded petrol in Adelaide from January 2008 to January 2009. These figures show that the sharp rise in the first and second quarters of the 2007-08 financial year were followed by sharp reductions towards the end of the calendar year 2008 and into 2009. In the long term, however, it is unlikely that costs will stay low, given the evidence suggesting that 'peak oil'⁵ has been reached in terms of worldwide production.

Table 11: Average Adelaide and Rest of State ULP Prices (c/L), 2008
(AAA, 2009)

Month	Adelaide	Rest of State	Month	Adelaide	Rest of State
Jan 08	138.8	144.6	Aug 08	149.3	156.3
Feb 08	129.6	142.3	Sept 08	152.3	156.7
Mar 08	140.5	145.2	Oct 08	149.4	154.7
Apr 08	143.8	148.3	Nov 08	115.6	133.2
May 08	150.1	154.9	Dec 08	104.2	112.0
Jun 08	160.1	163.3	Jan 09	109.3	111.2
Jul 08	160.0	167.0	Feb 09	122.2	123.0

Figure 21: Adelaide Fuel Price Fluctuations
(AAA, 2009)



⁵ Peak oil refers to the point at which worldwide oil production goes into decline due to greater difficulty in its extraction. It is widely believed that peak oil has been reached and that oil prices will continue to rise, and that eventually a crisis situation will be reached.

The fluctuations in Figure 21 are reflected in the CPI for Automotive Fuel, when AAA data are reconciled by reaching an average quarterly price for ULP. The similarities in CPI and AAA data suggest that there is very little discrepancy between the two, and that calculating cost changes can use either source. Figures 21 and 23 show quarterly percentage ULP price fluctuations according to CPI and the AAA in real terms and by index respectively, including comparisons to All Groups CPI.

Figure 22: Fuel Price and CPI fluctuations

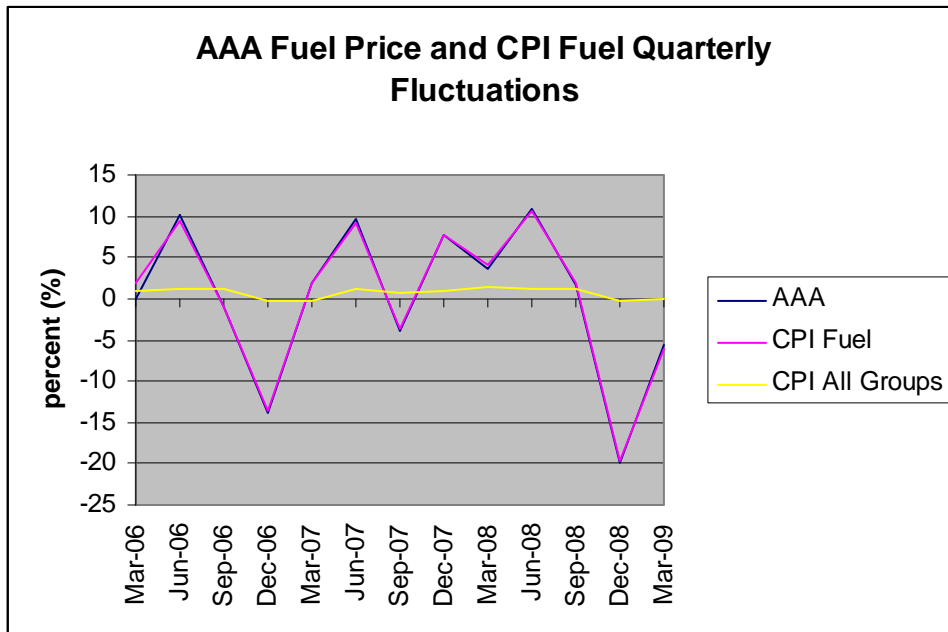
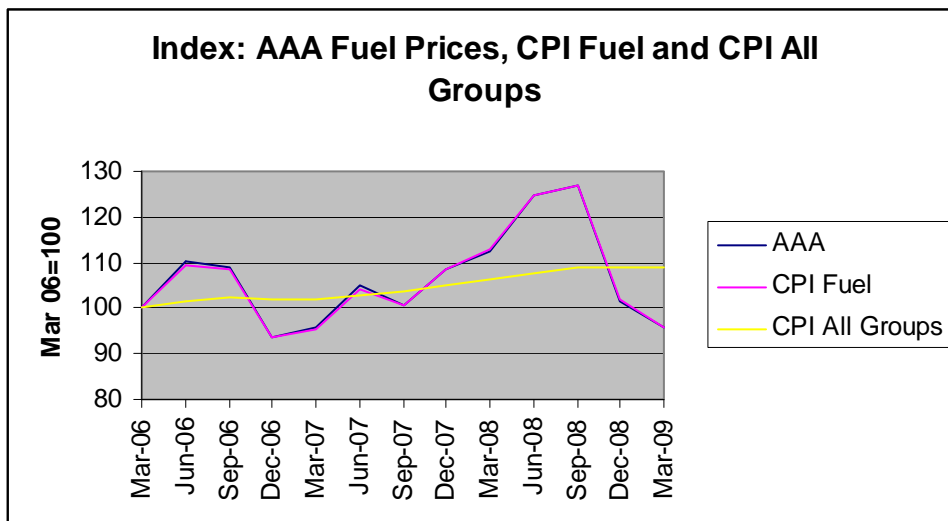


Figure 23: Index - Fuel price and CPI



By using the average vehicle usage and fuel consumption data as provided by the RAA, calculations can be made to gauge weekly fuel costs. The RAA data posits that the average South Australian passenger vehicle consumes 11.1 litres of fuel per 100km. Thus, by taking average (or median, or real, or hypothetical) prices, an average or real number of kilometres per year travelled,

and an average or real fuel usage figure, annual and weekly fuel costs can be calculated. Table 12 shows sample calculations based on this method.

Table 12: Fuel Consumption and Cost Calculations⁶

<i>Annual Distance Travelled (km)</i>	<i>Annual Fuel Usage (Litres)</i>	<i>Time Period</i>	<i>Fuel Price (cents per litre)⁷</i>	<i>Annual Fuel Expenditure</i>	<i>Weekly Fuel Expenditure</i>
15,000 ⁸	1,665	March Qtr 2009	116.2	\$1,934.73	\$37.20
11,500 ⁹	1,276.5	Jan. 09	109.3	\$1,395.21	\$26.83
11,500	1,276.5	Feb. 09	122.2	\$1,559.88	\$30.00
11,500	1,276.5	Oct. 08	149.4	\$1,907.09	\$36.67
8,000 ¹⁰	888	Jan. 09	109.3	\$ 970.58	\$18.67
5,000 ¹¹	555	Jan. 09	109.3	\$ 606.62	\$11.67

What this table shows is that fluctuating petrol prices can have a significant impact on annual and weekly fuel expenditure for the average private motor vehicle user. It can be seen, for example, that the rise in average price of 12.9 cents per litre between January and February 2009 represents a weekly cost increase of \$3.17. Viewed in the context of a household struggling to afford the essentials of life, this represents a significant added cost.

Fuel is only one expense associated with running a private motor vehicle. Additional expenses include:

- Registration and Compulsory Third Party (Bodily) insurance, comprising (annual payment):
 - \$95 registration
 - \$6.00 admin fee
 - \$24.00 Emergency Services Levy (ESL)
 - \$60.00 stamp duty on insurance
 - \$410 CTP insurance (incl. GST)
- Licensing
- Servicing costs
- Third Party Property Insurance
- Parts and Repairs (including tyres)
- Depreciation

All of these costs represent significant added expenses, and when considered as a total sum, the weekly cost of running a car represents a significant burden on the household budget. The costs of fuel, registration, servicing and insurance are considered below, while parts and repairs and depreciation have been omitted due to the difficulty in calculations, and the periodic nature of these expenses.

A number of the additional costs involved in driving and maintaining a motor vehicle can also be deduced using simple calculations. Registration and CTP, licensing, service costs and insurance can all be calculated as in Table 13.

⁶ Fuel consumption based on average fuel efficiency of 11.1 litres per 100km traveled.

⁷ Fuel cost per time period from Table 3 and based on Australian Automobile Association data.

⁸ Figure obtained through communication and correspondence with the RAA.

⁹ The distance of 11,500 sourced from ABS (2008a).

¹⁰ Figure for illustrative purposes only.

¹¹ Figure for illustrative purposes only.

Table 13: Other Motoring Expenses

<i>Expense Type</i>	<i>Calculations</i>	<i>Weekly Cost</i>
Registration and Compulsory Third Party Insurance (CTP)	Annual registration and CTP for 4 cylinder vehicle: \$595 (when paid in lump sum).	\$11.44
	For pensioner card holders, there is a 50% discount on registration costs, and exemption on insurance stamp duty. This brings total to \$487.50.	\$9.38
Licensing	Renewal for up to 10 years at \$26 per year, with admin fee of \$15. For ten years, total of \$275, divided by 10 is \$27.50 per year.	\$0.53
	Pension card holders, 50% discount: \$13.75 per year.	\$0.26
Servicing	Minor services due every 5,000 km and major services at every 10,000km. Average km travelled per year is 11,500. This requires 1 minor and 1 major service per year. Kmart Tyre and Auto Service costs: \$119 (minor) and \$199 (major). Total cost over 1 year: \$318	\$6.12
Insurance ¹²	Female, 34 years old: \$244 pa	\$4.69
	Male, 65 years old: \$222 pa.	\$4.27
	Male, 21 years old: \$295	\$5.67

Using the data from Tables 12 and 13, we can see that not only are the total costs for running private vehicles in a number of scenarios prescriptive, but that these costs can be calculated using readily available data. Table 14 shows the costs as incurred by a range of drivers, accumulating the average amount of kilometres per year, and in an average consumption car.

Table 14: Car Costs¹³

<i>Expense Type</i>	<i>34 yr. old female</i>	<i>65 yr. old male</i>	<i>21 yr. old male</i>
Fuel (11,500km pa)	\$37.20	\$37.20	\$37.20
Registration and CTP	\$11.44	\$9.38	\$11.44
Licensing	\$0.53	\$0.26	\$0.53
Servicing	\$6.12	\$6.12	\$6.12
Insurance	\$4.69	\$4.27	\$5.67
Total	\$59.98	\$57.23	\$60.96
Rounded	\$60	\$57	\$61

¹² Insurance calculations have been made via the *Just Car Insurance* online insurance quoting calculator at <http://www.justcarinsurance.com.au/insurance-quotes.asp> For different circumstances, the relevant information was entered into the insurance calculator. For all scenarios, the car is a 2000 model Holden Astra, basic model, garaged in Adelaide. Costs are intended to be indicative only and may vary widely. Quotes are for online purchase and are therefore discounted.

¹³ Based on March Quarter 2009 average prices, and average fuel efficiency and kilometres traveled. The final figures in this table are used in the scenarios.

An alternative to car usage is public transport, and by utilising this option a household can save significant amounts of money per week and over the course of a year. The cost of a standard ten-trip 'multitrip' ticket for all-times travel is \$27.80 per week. Assuming no commuting other than to and from work, this represents a saving of \$29.16 per week for a person of working age, employed full time. Those who are able to claim a transport concession pay only \$13.80 per week, representing a saving of up to \$41.43 per week.

Although using public transport may be a cost-saving option for some, there are many for whom car ownership is not an option. In 2001, 9.9% of all South Australian households did not own a motor vehicle. More disturbing perhaps is the geographic variation in ownership statistics – while the lowest rates of car ownership were in the inner-metropolitan and western suburbs, the outer-north and outer-south also had low levels (Hetzl et al, 2004). There is also a direct correlation between low levels of car ownership and low socioeconomic status: 10.9% of Adelaide households and 7.4% of regional households had no motor vehicle in 2001 (SACOSS, 2007). Thus some of the most financially and materially disadvantaged in our society, who also live in many cases far from employment prospects, often do not have the means to travel to those areas where employment is more likely to be found.

Public transport also has its own problems. Given the vastly extended urban boundaries of metropolitan Adelaide in recent years, the prospect of spending extended periods of time every day on buses and trains does not have the appeal of private car use for those who can afford it. Price increase announced in the 2009-2010 State Budget will see the affordability of public transport affected. Additionally, public transport is simply inappropriate for some, for whom mobility issues pose a problem. Most tellingly, public transport is often least frequent and reliable far from the urban core, and this corresponds with areas of low car ownership and high rates of socio-economic disadvantage.

Income¹⁴

Incomes in South Australia remain at the second lowest level in Australia, with only Tasmania showing a lower level of median household income. One of the main reasons behind our state's lower average and median incomes is that more South Australians rely on Commonwealth Government payments as their principle source of income than any other state or territory in Australia except for Tasmania. 31.2% of South Australian households find themselves in this situation compared to 26.6% across Australia. Additionally, the South Australian population is older than most of Australia, and more South Australian households comprise one person living alone and single parent households than the national average (ABS, 2007).

This section highlights some of the disparities between income levels – and therefore standards of living – for those on low and fixed incomes in South Australia. The income and household types include:

Centrelink benefit¹⁵ recipients (FAHCSIA, 2009):

- Newstart Allowance recipient
- Parenting Payment – sole parent with two children under the age of five, reliant solely on government benefits
- Single Age Pensioner
- Single Disability Support Pensioner
- Youth Allowance recipient

Additionally, a single full-time wage earner on the state minimum wage is included for comparative purposes.

Table 15¹⁶ also shows the annual changes in core payments and additional allowances from March 2006 to March 2009. Many of the core payments have risen at a faster rate than CPI, although those on a pension (including Parenting Payment-single) have fared better over the period than the unemployed on Newstart Allowance and students on Youth Allowance.

¹⁴ All figures in this section are subject to rounding, and due to this index figures and percentage rises may not appear equal in some circumstances.

¹⁵ All payments are applicable from March 20 of each year.

¹⁶ All figures subject to rounding – to the nearest single decimal point and the nearest cent.

Table 15: Changes to Government Payments

	Weekly - Max Amounts (\$ and cents)						
	2006	2007	2008	2009	Change	% change	Ave annual change
<i>Core Payments</i>							
<i>NSA</i>	205.30	212.15	218.55	226.65	21.35	10.4	3.5
<i>PP</i>	249.85	262.55	273.40	284.90	35.05	14	4.5
<i>AP/DSP</i>	249.85	262.55	273.40	284.90	35.05	14	4.5
<i>YA</i>	167.35	174.05	177.70	185.70	18.35	11	3.3
<i>Other Payments</i>							
<i>RA (single no children)</i>	50.30	52.00	53.60	55.60	5.30	10.5	3.4
<i>RA (single with children)</i>	59.15	61.11	62.93	65.24	6.09	10.3	3.3
<i>PhA</i>	2.90	2.9	2.90	3.00	0.10	3.4	1.1
<i>TAL</i>	1.60	1.70	1.70	1.80	0.20	12.5	4.1
<i>UA</i>	1.98	2.00	9.60	10.00	8.02	405.1	126.2
<i>FTB A (per child under 13)</i>	68.53	70.42	72.73	75.67	7.14	10.4	3.4
<i>FTB B</i>	58.80	60.48	62.51	64.40	5.60	9.5	3.1

One additional allowance that is glaring in its total rise is Utilities Allowance, which rose by over 400% over the period. The limited eligibility for this payment means that total weekly benefits for some benefit recipients are well above those for others. In fact, a person on a pension benefits from a much more liberal benefit regime than do the unemployed and students. This can be seen in Tables 16 to 20.

Table 16: Changes, Single Unemployed Person

TOTAL: Single NSA Recipient, Private Rental(NSA+RA)				
Weekly	amount	change	%change	index
2006	255.6			100
2007	264.15	8.55	3.3	103.3
2008	272.15	8	3	106.4
2009	282.25	10.1	3.7	110.3
Total		26.65	10.3	

Table 17: Changes, Sole Parent

TOTAL: Sole Parent, 2 children under 5, private rental (PP+RA+FTB A+FTB B+PhA)				
Weekly	amount	change	%change	index
2006	507.76			100
2007	527.88	20.12	4	104
2008	547.2	19.32	3.7	107.8
2009	568.88	21.68	4	112.2
		61.12	12.2	

Table 18: Changes, Single Pensioner

TOTAL: Single AP or DSP Recipient, Private Rental (Pension+RA+TA+PhA+UA)				
Weekly	amount	change	%change	index
2006	306.6			100
2007	321.18	14.58	4.8	104.8
2008	341.21	20.03	6.2	111.3
2009	355.25	14.13	4.1	115.9
Total		48.74	15.9	

Table 19: Changes, Single Youth Allowance Recipient

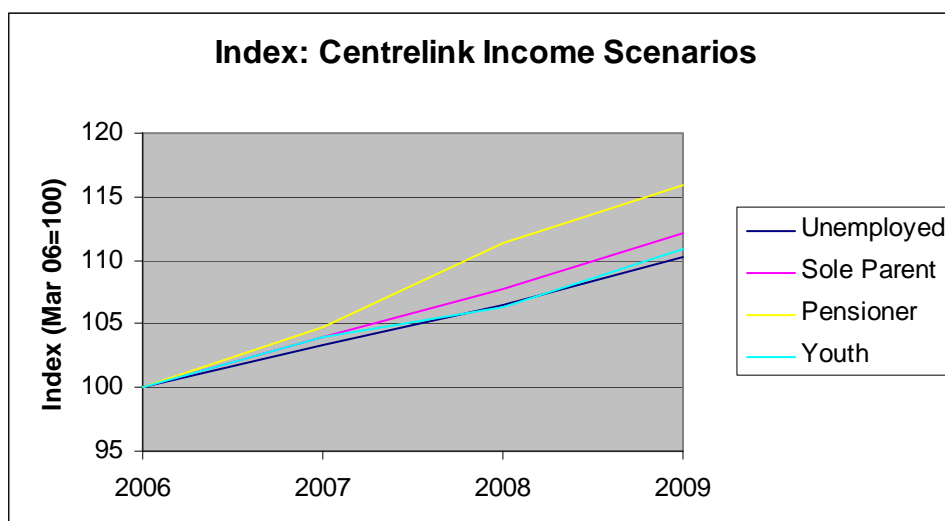
TOTAL: YA Recipient, Private Rental(YA+RA)				
Weekly	amount	change	%change	index
2006	217.65			100
2007	226.05	8.4	3.9	103.9
2008	231.3	5.25	2.3	106.3
2009	241.3	10	4.3	110.9
		23.65	10.9	

When the indexed rises in all payments are considered in comparison, the disparities are clear, even though the index only begins in 2006. While Sole Parents and Pensioners have seen a total rise of around 13% and 16% respectively, Unemployed and Youth have only risen by totals of around 10% and 11% respectively. Table 20 and Figure 24 show this disparity in tabular and graphic form.

Table 20: Index - all payment scenarios

Index, all recipients, total weekly payments				
	Unemployed	Sole Parent	Pensioner	Youth
2006	100	100	100	100
2007	103.3	104	104.8	103.9
2008	106.4	107.8	111.3	106.3
2009	110.3	112.2	115.9	110.9

Figure 24: Index - Government Income Scenarios



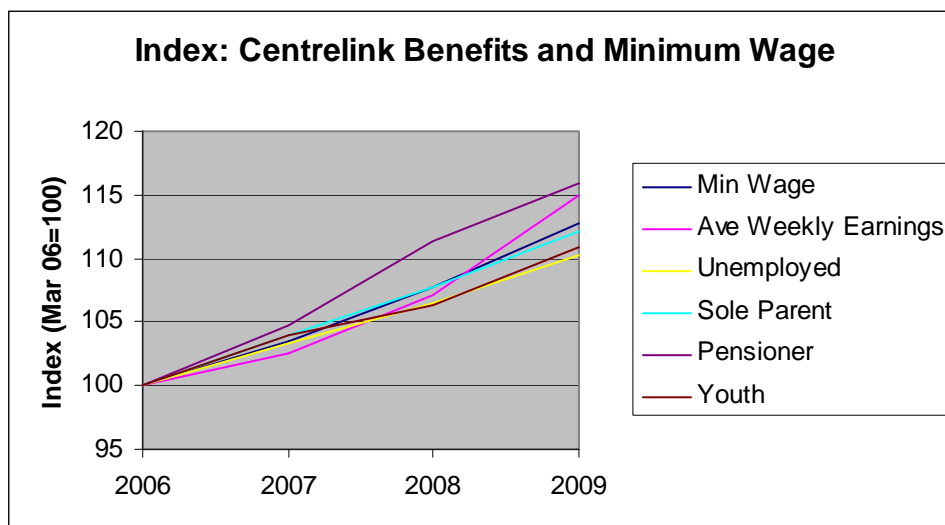
The South Australian state minimum wage has also grown in a way commensurate with CPI All Groups, and with Centrelink benefits recipients. Rising at an average of 4.1% per year since 2006 for a total of just under 13% (or \$62) (Table 21), the minimum wage also compares well in index terms with average weekly full time earnings in SA, which rose by 14.5% over the period.

Table 21: Changes, SA State Minimum Wage

	Min Wage	change	%change	index
2006	484.40			100
2007	501.40	17	3.5	103.5
2008	522.15	20.75	4.1	107.7
2009	546.65	24.5	4.7	112.8
Total change		62.25	12.9	
Ave annual rise			4.1	

If the minimum wage is compared to Centrelink benefit recipients, it can be seen to roughly 'split the middle' between pensions and unemployment benefits (Figure 25).

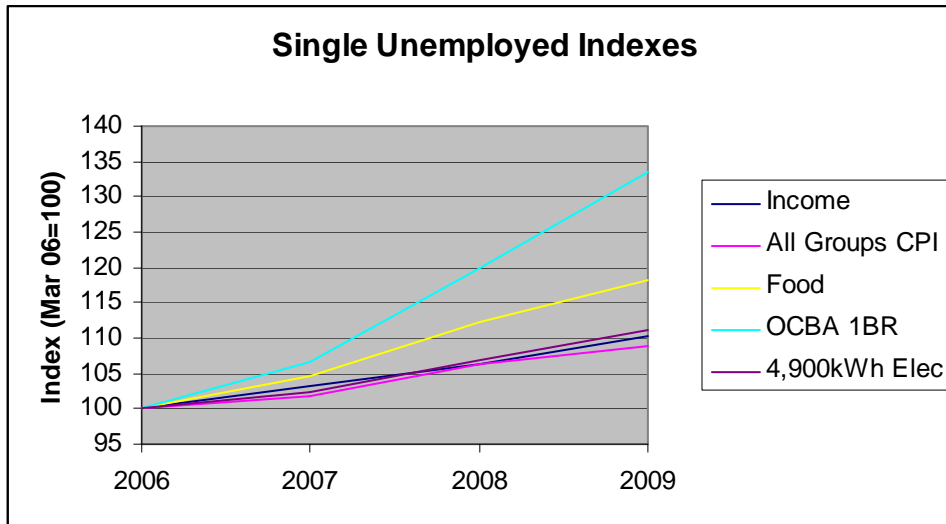
Figure 25: Index - Government Payments and Minimum Wage



Conclusion: income vs. expenses

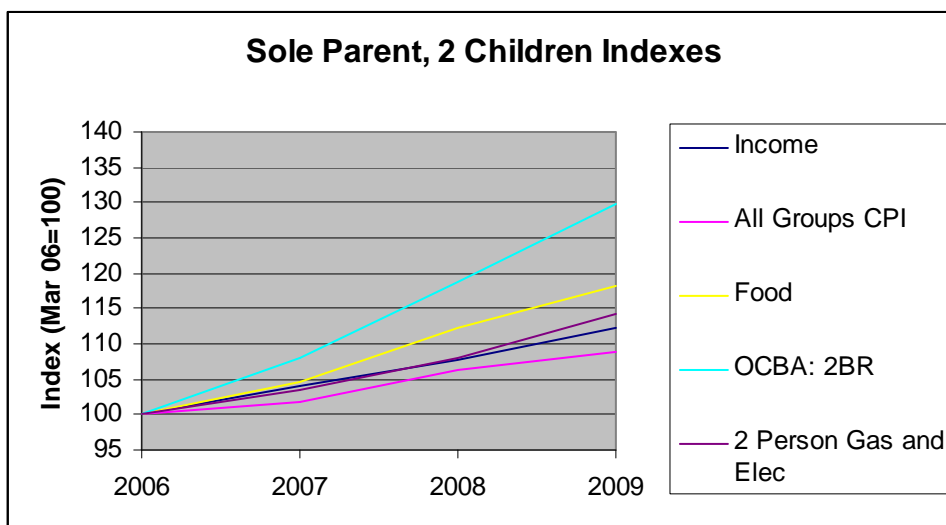
This *Update* has shown that costs for the main expenditure items for low income households have, in the main, risen faster than CPI – with some rising far beyond the limits of household budgeting. What this means for households is difficult decision making – decisions about how much to spend on food after housing and energy expenses have been met, or whether or not to drive the car to a gathering of family or friends. The rise in the costs of essentials can be seen in Figures 26-30.

Figure 26: Index - Single Unemployed Person Scenario



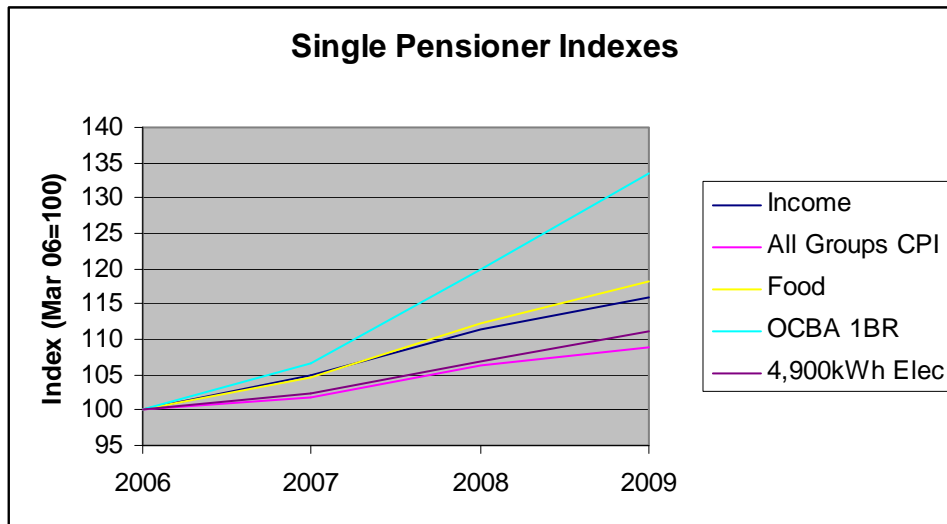
Single unemployed people on Newstart Allowance have also seen a rise in income above the All Groups CPI rise since 2006, although the gap between the two is much more modest than for other income types. What is most worrying about the plight of NSA recipients is the relative cost of housing – in 2006, a one bedroom unit cost around 59% of total income; by 2009 this had risen to around 71%. Together, housing, energy and fuel would account for over 90% of weekly income. This means that there is virtually no money left for food, let alone leisure activities of any kind.

Figure 27: Index - Sole Parent Scenario



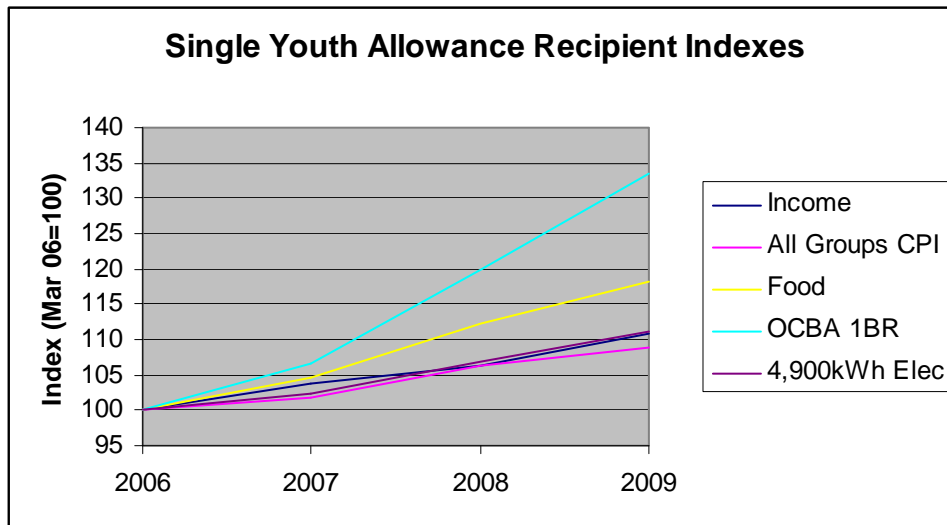
For a sole parent with two children under the age of five, the costs of housing and food probably represent the greatest burdens on the household budget. While overall income has risen by around 12% since 2006 (that is above the 8.8% CPI over the same period), median housing costs for two bedroom units in Adelaide have risen by nearly 30%. This means that while housing costs represented 36.4% of weekly income in 2006, in 2009 this share was over 42%. Together, housing, energy and fuel consume just over half of all income for this household type, severely limiting the opportunities to participate in activities that would enhance the lives of young children.

Figure 28: Index - Single Pensioner Scenario



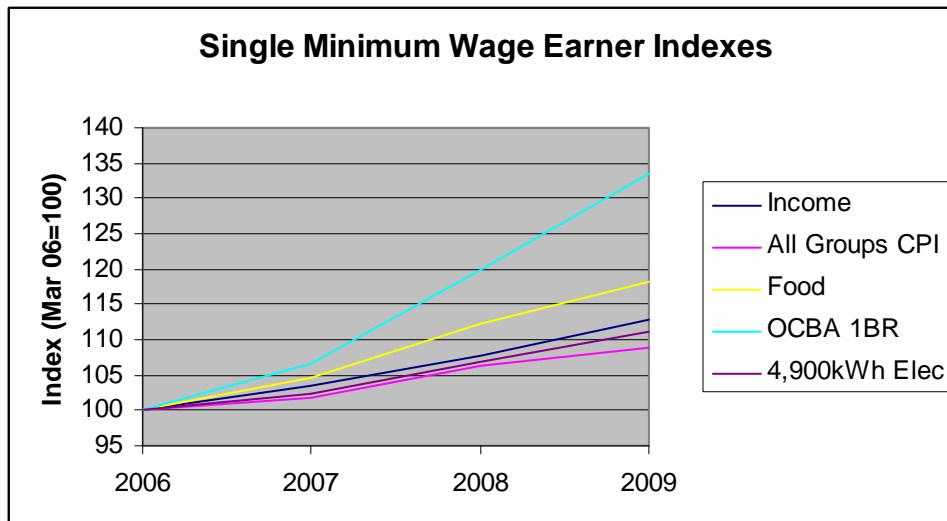
Single pensioners have, at first glance, seemed to fare better than households on other forms of government income, largely due to increases in the utilities allowance over the period – overall, pensioner incomes have risen by nearly 16% since 2006. However, pensioners are still disproportionately disadvantaged by rising housing costs in particular – the weekly median cost of renting a one bedroom unit has risen by a third since 2006, marked by a rise in rent as a proportion of income from just under 50% to over 56%. If a single pensioner drives a car for the average annual distance, and manages to keep their electricity consumption to a bare minimum, the total proportion of weekly income spent on housing, energy and transport is 72.6% at March 2009 prices. This leaves very little for food or leisure activities, and does not provide much certainty in meeting medical and related costs on a week-by-week basis.

Figure 29: Index - Single Youth Allowance Recipient Scenario



Single, independent Youth Allowance recipients with no additional income are among the most economically disadvantaged groups in society today. While the total weekly income for this group has risen above All Groups CPI over the 2006-2009 period, these rises have been more than offset by rising costs of housing. Put simply, a YA recipient cannot afford to live independently and pay over 80% of weekly income on a one bedroom unit. If they could, they would pay over 90% of their income on housing and energy alone, and could not afford a healthy diet, or to travel in any significant way to look for work.

Figure 30: Index - Single Minimum Wage Earner Scenario



Those earning a living on the South Australian state minimum wage fare much better than those in receipt of government benefits. Overall income has risen by just under 13% since 2006, and in comparison to other income types, the costs of basic essentials such as housing and fuel remain low as a percentage of income – together, housing, electricity and fuel represent around 48% of gross weekly income. What this relative advantage obscures is the additional costs associated with working, as well as the fact that the costs of basic essentials have risen above and beyond the minimum wage. This means that in relative terms, while the costs of living can in many cases still be met, standards of living are at risk of falling – if they have not already.

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