SACOSS
South Australian Council of Social Service

Cost of Living Biannual Update

No. 2, December 2009

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This SACOSS *Cost of Living Biannual Update* is the second in a series of six-monthly updates on the real costs of essential services and items for households. The *Updates* are in part designed to highlight the differences between what many consider to be the gauge of living costs – the Consumer Price Index, or CPI. The CPI as we know it in the media and as cited in government decision-making is 'All Groups' CPI, that is the index of the whole range of expenses for a household. What the *Updates* do is to separate the essential expenditure items from the non-essential and to find other, more direct sources for these costs.

As in the first *Update* (SACOSS, 2009 – released in July 2009 and based on March 2009 figures and costs), this report shows that the costs of essentials have risen in general well beyond the total CPI rise. The definition of these essential expenses has remained the same as in the previous *Update* – housing, energy, food and transport – although the cost of water has now been added to highlight the rising cost of this most critical service. The income scenarios also remain the same, with the following wages and payments used to gauge the effects of rises to expenses:

- 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 findings of this *Update* are clear – while some expenses such as food and transport costs have eased over the last six months, others such as housing and utilities have risen to even greater heights. At the same time, income growth for the most vulnerable in our society has been moderate or non-existent, meaning that those on low and fixed incomes are clearly struggling even more to meet household costs than six months ago.

Using mostly the same data sources as the previous *Update*, and utilising the same analytical techniques, a number of key findings were made which should be a wake-up call for policy and decision makers.

Key Findings

- All Groups CPI has risen by 10.7% since March 2006, with a rise of 1.7% since March 2009.

Housing

- Rents CPI has risen by a little over 17% since March 2006, with a rise of 1.9% since March 2009.
- Additional data shows the following median weekly rental costs for Adelaide:
  - 1 bedroom unit: 42% since March 06 and 6.5% in the last six months
  - 2 bedroom unit: just over 31% since March 06 and 4.2% in the last six months
  - 3 bedroom house: over 40% since March 06 and nearly 14% in the last six months
- Rest of State figures tell the following story:
  - 1 bedroom unit: 30% since March 06 and 4.2% in the last six months
  - 2 bedroom unit: 18.5% since March 06 and 3.2% in the last six months
  - 3 bedroom house: over 47% since March 06 and 19% in the last six months

Utilities

- Electricity CPI has risen by 12% since March 06, having dropped by 2.1% since March 09
- Gas and other Household Fuels CPI has risen by over 23% since March 06, and 2.9% in the last six months

- Electricity Supply charges alone have risen above CPI – over 34% since March 06 and by 10.7% in the last six months
- Gas supply charges have risen by over 35% since March 06 and by 7.2% in the last six months
- Water costs for a 120kL per year consumer have risen by 27% since March 2006, and 4.7% in the last six months

Food

- Food CPI has risen by 17.5% since March 06, with a drop of 0.5% in the last six months. Food CPI component changes include:
    - Meat and Seafood: a total rise of 12.4% since March 06, with a drop of 0.8% in the last six months
    - Dairy and Related Products: a total rise of 20.9% since March 06, having dropped by 1.7% since March 09
    - Bread and Cereal Products: a rise of 21.2% since March 06, having risen by 0.4% in the last six months
    - Fruit and Vegetables: total rise of 9.6% since March 06, having dropped by 7.2% since March 09

Transport

- At September 2009 average prices, it cost the average Adelaide motorist over $30 per week in fuel alone to run a private car.

Acronyms

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

Introduction

Like its predecessor released in July 2009, the SACOSS *Cost of Living Biannual Update No. 2* has been prepared in order to dispel the myths around the Consumer Price Index (CPI) and to break its hold on the popular imagination. By focusing on the essential household items rather than the full range of possible expenses, the *Updates* highlight the real costs to households on low and fixed incomes, aside from the non-essential and in many cases irrelevant costs included in All Groups CPI (the total index of all expenses – often referred to simply as 'CPI').

The other main driver for SACOSS is what we know around poverty in South Australia and around Australia. The SACOSS *Blueprint for the eradication of poverty in South Australia* (SACOSS, 2007) outlines some of the main statistics in this regard. In particular, we know that even as the Australian economy was growing (pre-GFC), poverty was on the rise – from 6.7% in 1994 to 12.3% in 2006. This growth in the number of people living in poverty is hardly surprising given the rise in the costs of essentials such as housing and energy.

This update uses simple data analysis techniques to decipher the often complex set of figures around the costs of housing, energy and water, food, and transport. The result is a comparative tool which helps to cut through the complexity of commonly cited data and to make sense of it for a wide audience. It does however have its limitations – it does not include the much more complicated figures around the costs of health, education, recreation, clothing and footwear, telecommunications and the myriad other costs which are more or less essential in today's society. As such, while this *Update* doesn't provide the reader with a total list of the expenditure incurred by every household, it does paint a bleak picture for households on a range of Centrelink payments and the South Australian state minimum wage.

Data sources and methods

The data cited in this second SACOSS *Cost of Living Biannual Update* are sourced, where possible, from the same sources as used in the first *Update*, published in July 2009. The same approach to data has been employed as in the previous *Update* in that the key concern has been to maintain a coherent approach by illustrating 'baseline' costs associated with the essential expenditure items. The key sources are outlined below.

Expenses

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 one and two bedroom units from Office of Consumer and Business Affairs (OCBA) data sets, published by the Department for Families and Communities (DFC). 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 people in most financial stress are living in private rental accommodation.

Utilities (gas, electricity and water)

Unit prices for gas and electricity have been obtained from 'Standing and Default Contract' prices published in the South Australia Government Gazette. Likewise water prices have been sourced from the Government Gazette and have been included for the first time, due in part to the importance of water for health and wellbeing, and in part to the rising prices. Consumption figures for energy remain the same as those used in the first *Update*, and for water a baseline of 120kL per annum has been used (the average being 190kL).

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. The previous *Update* noted that SACOSS would attempt to undertake a Healthy Food Basket or Market Basket Survey, however this has not been possible within the timeframe required for this *Update*. Therefore CPI for Food has been used, and supplemented with data for average retail prices as published by the ABS.

Transport

As in the previous *Update*, data on the expenses associated with running a car have 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.

Income

The income types used for this analysis have been chosen to reflect the lower two household income quintiles in South Australia, including:

- 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

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 using ABS data are rounded at each point of change to the nearest decimal point, and therefore final index figures may not exactly reflect total percentage changes in all cases. Where specific calculations have been made, indexation has taken place to 5 to 6 decimal points before rounding.

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

We all know that housing represents one of our most basic needs, as well as a significant expenditure item in the weekly budget. The first SACOSS *Cost of Living Biannual Update* showed that the cost of housing rose at a much higher rate than other costs, and that the data available from the Office of Consumer and Business Affairs showed higher cost rises than the CPI data for Rents. Most recent data shows that this trend is continuing as rental costs continue to rise, as shown in Table 2. Table 2 shows that rental cost increases have been felt more in some situations than others, with rises disproportionately affecting those in the market for a three bedroom house in regional areas over the six month period since the previous *Update*. Figures 1 to 3 show the changes to rental costs for Adelaide and Rest of State in graphic form.

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

	1 BR Flat		*2 BR Flat*		*3 BR House*	
	Adelaide	*Rest of State*	*Adelaide*	*Rest of State*	*Adelaide*	*Rest of State*
1st Qtr. 2006[1]	$150	$100	$185	$135	$235	$170
1st Qtr. 2007[2]	$160	$105	$200	$140	$250	$180
1st Qtr. 2008[3]	$180	$102	$220	$160	$270	$200
1st Qtr. 2009[4]	$200	$125	$240	$155	$290	$210
Total Rise	*$50*	*$25*	*$55*	*$20*	*$55*	*$40*
Total % Rise	*33*	*25*	*30*	*15*	*23*	*24*
Ave % annual rise	*10.1*	*7.7*	*9.1*	*4.7*	*7.3*	*7.3*
2nd Qtr. 2009[5]	$203	$120	$250	$160	$290	$220
3rd Qtr. 2009[6]	$213	$130	$250	$160	$330	$250
6 mth rise	*$13*	*$5*	*$10*	*$5*	*$40*	*$40*
6 mth % rise	*6.5*	*4.2*	*4.2*	*3.2*	*13.8*	*19*
Total Rise	*$63*	*$30*	*$65*	*$25*	*$95*	*$80*
Total % Rise	*42*	*30*	*35.1*	*18.5*	*40.4*	*47.1*

[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 (2009c).
[5] Research and Analysis Unit, Department for Families and Communities (2009b).
[6] Research and Analysis Unit, Department for Families and Communities (2009a).

Figure 1: CPI for rents in Adelaide
(ABS, 2009b)

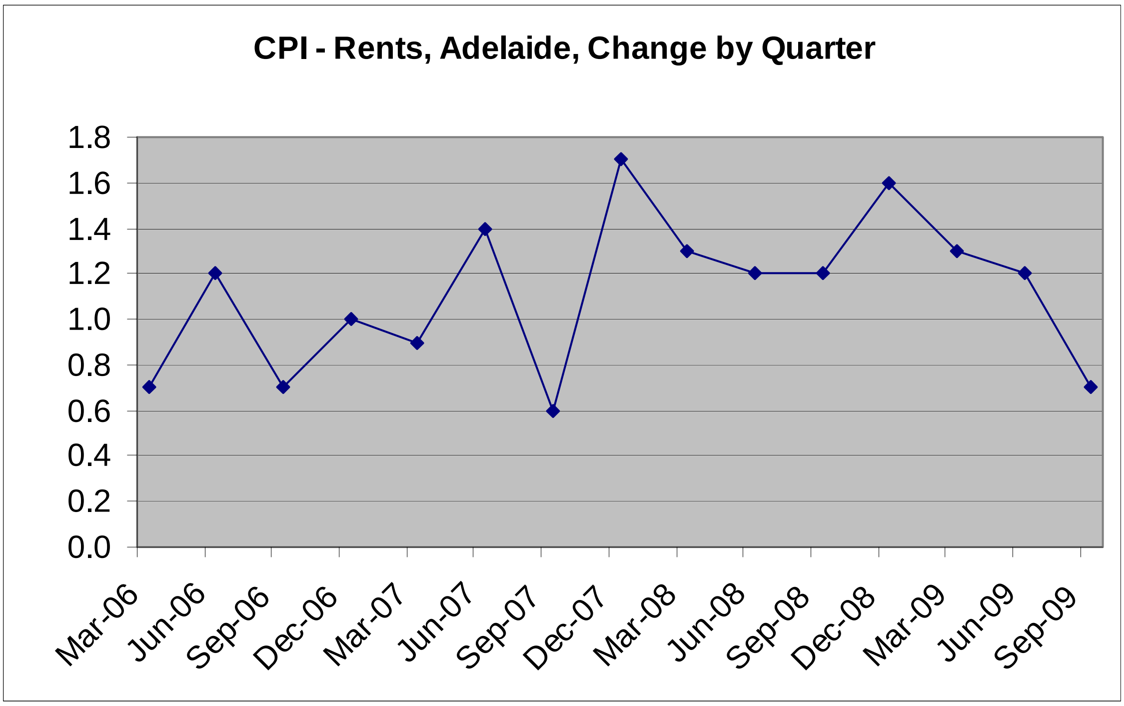


Figure 2: CPI and OCBA comparison, Adelaide

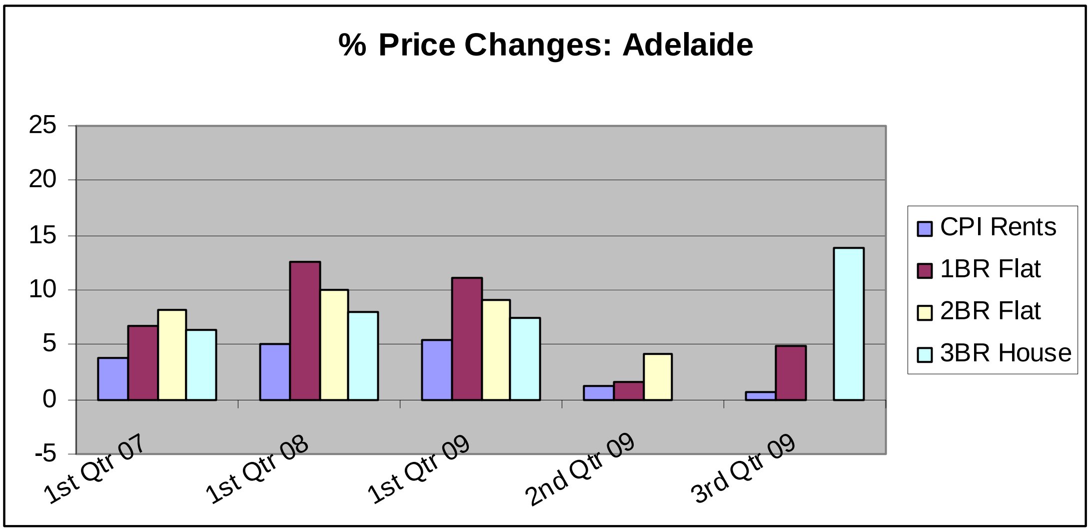
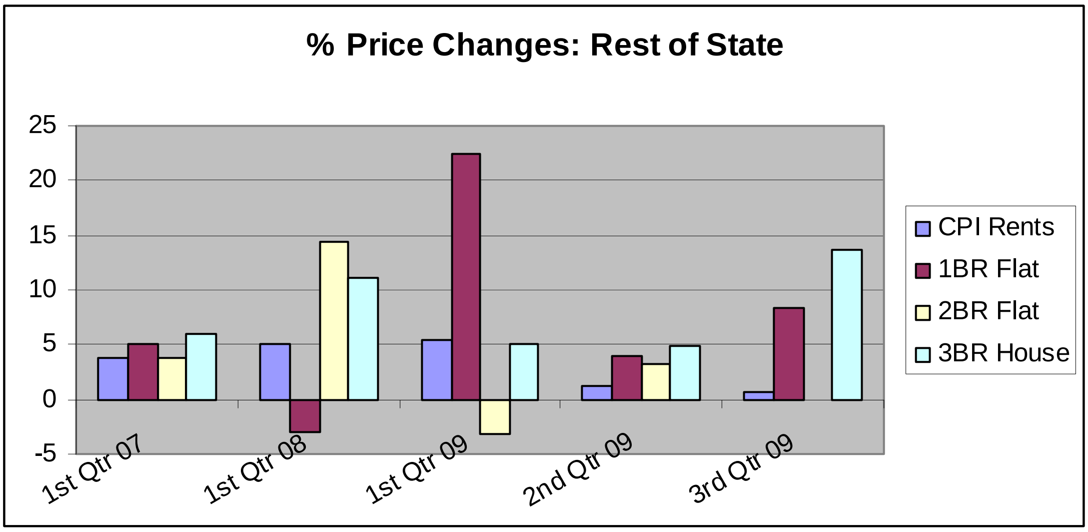


Figure 3: CPI and OCBA comparison, Rest of State



Regional housing issues are of particular concern given the relative lack of employment, education and training opportunities in many regional areas – as well as a lack of access to appropriate services. Compounding this are transport issues, as those living further from Adelaide and regional centres need to travel greater distances to access a range of opportunities and services.

It can be seen in the figures above that CPI 'Rents' figures show a much more modest increase in rental costs for Adelaide. The disparity in OCBA and CPI Rents figures are best displayed in index form: Table 3 and Figures 4 and 5 show the accumulative affect of rental cost increases across South Australia.

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

		1 BR Flat		*2 BR Flat*		*3 BR House*	
	CPI	*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*
Jun 09	116.4	135.4	129.9	135.2	118.5	123.4	129.5
Sept 09	117.2	142	140.7	135.2	118.5	140.4	147.1
6 mth % rise	*1.9*	*6.5*	*12.6*	*4.2*	*3.2*	*13.8*	*19.1*

Figure 4: Index - CPI and OCBA prices, Adelaide

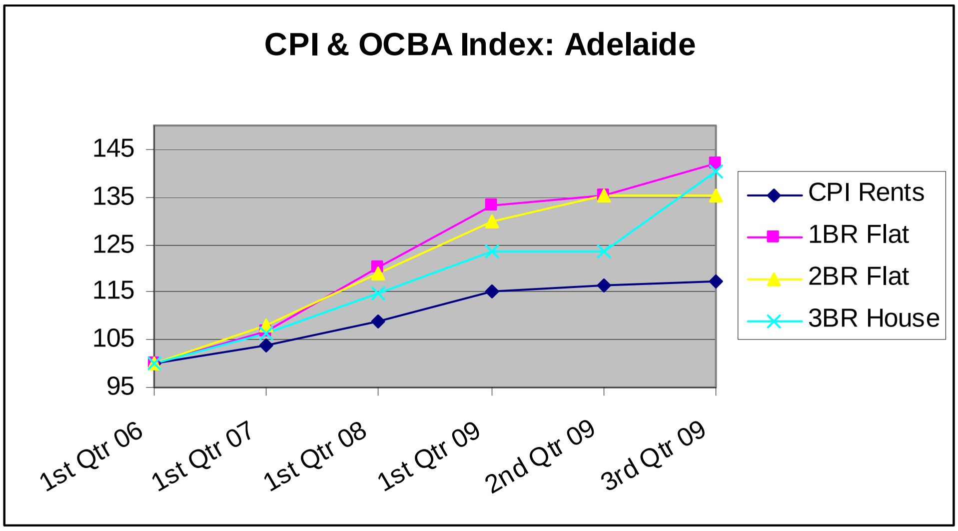
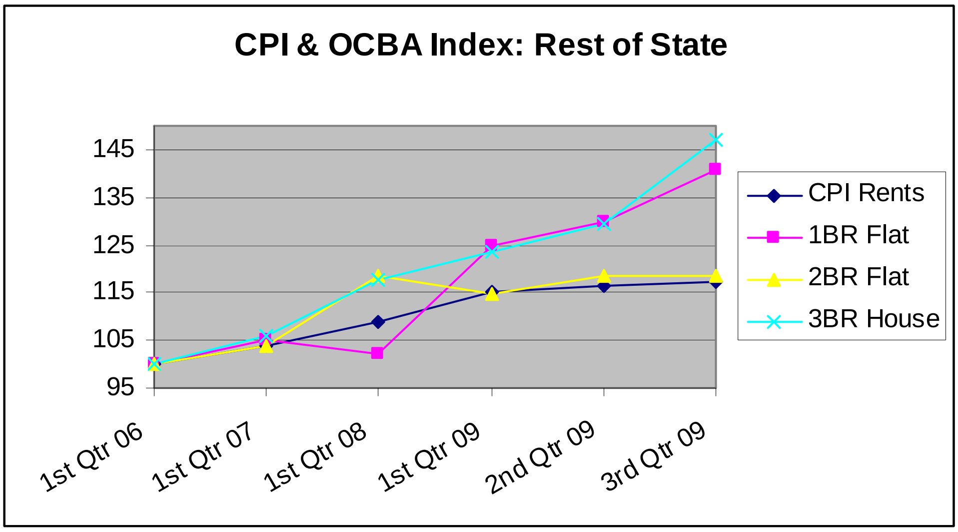


Figure 5: Index - CPI and OCBA prices, Rest of State



While rents are inexorably increasing, vacancy rates eased slightly between December 2008 and June 2009, allowing for more opportunities for those in the private rental market. The figures below show REISA Vacancy Rates for the June Quarter 2009 (REISA, 2009), with December 2008 (REISA, 2008) figures in brackets:

- City region – The city and North Adelaide – 0.97% (1.86%)
- Western region – The suburbs west of West Terrace, between Port Road and Anzac Highway, which exclude Glenelg suburbs – 1.56% (1.36%)
- Southern region – The suburbs south of South Terrace, between Glen Osmond Road and Anzac Highway, including Glenelg suburbs – 1.29% (1.13%)
- Eastern region – The suburbs east of the city square, between Payneham and Glen Osmond Roads, excluding the Hills – 1.59% (1.37%)

- Northern region – The suburbs north of North Adelaide, between Port and Payneham Roads, turning into Lower North East Road – 1.32% (0.91%)

- Hills region – The suburbs from Crafers to Nairne – 1.10% (0.97%)

- Overall vacancy rate: 1.39%

- Total volume: 6,472 (3,816 in Dec 08, 5,550 in Dec 07)

In the previous *Update*, attention was drawn to the alternative of social housing – government-supplied public housing and housing provided by community housing providers. While social housing does represent an alternative, it is argued that it does not provide a *viable* alternative, due to decreasing housing stock, lengthy waiting lists, and even the practice by some providers of closing waiting lists. It is clear from the data presented here that there is a significant number of the South Australian community who are in need of greater assistance through social housing. Put simply, the costs of private rental are rising far beyond what can be absorbed by many household budgets.

Utilities

In the first SACOSS *Update*, energy was covered while water was not. Given that water is as vital for health and wellbeing as energy, if not more so, and that water prices are set to rise in 2010, it was considered important that the costs associated with providing water for washing, cooking and sanitation be included in this and subsequent *Updates*. Consequently this section comprises two subsections: ‘Energy’, incorporating electricity and gas; and ‘Water’.

Energy

Energy costs continue to be a main expenditure item for many households, with low income households increasingly suffering under rising prices. The costs of both electricity and gas have continued to rise in the six months since the previous *Update*, with approved cost increases in both fixed and consumption charges. Recent reports show that since the implementation of Full Retail Contestability (FRC), South Australian electricity prices have risen at a faster rate than they would have under the previous system (ECC, 2009).

While a little dated, data from the 2003-04 ABS Household Expenditure Survey (HES) (ABS, 2005) are still relevant. These data show that for those on low incomes, the cost of energy represents a significant proportion of weekly income, as well as a significant source of financial stress (as shown in Figures 6 and 7 below).

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

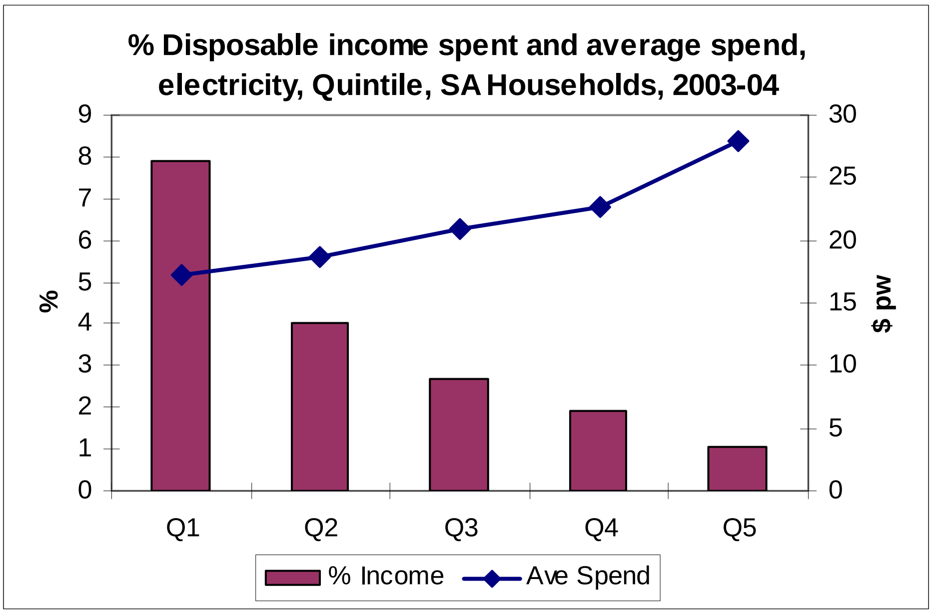
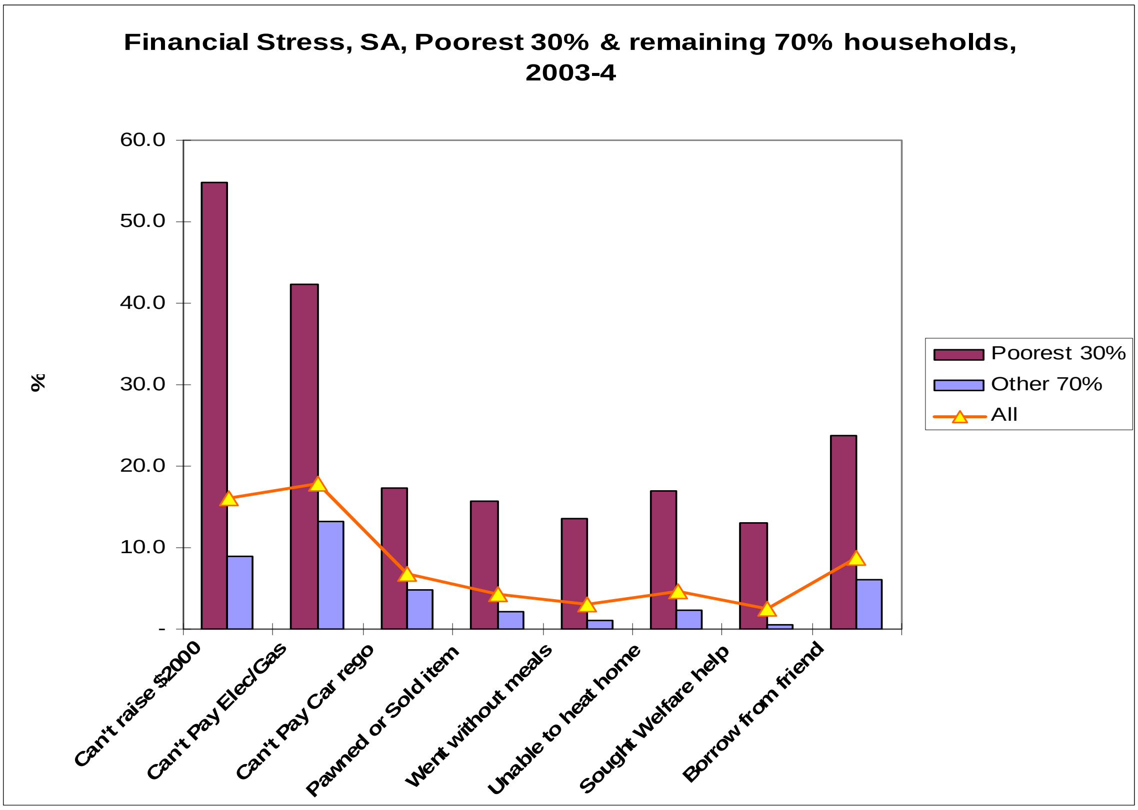
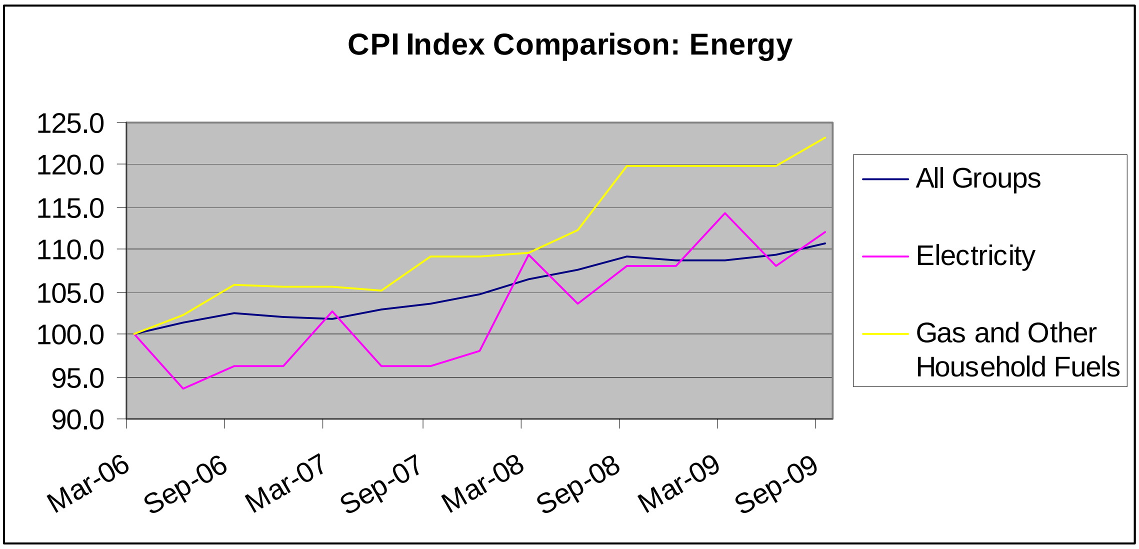


Figure 7: Financial Stress Indicators, SA



Simple data analysis shows that while All Groups CPI for Adelaide has risen by a total of 10.7% between March 2006 and September 2009, CPI for Electricity (12%) and Gas and Other Household Fuels (23.3%) have risen at a faster rate. Figure 8 illustrates this phenomenon.

Figure 8: CPI component comparison: energy
(ABS, 2009b)



While elements of CPI are useful for limited comparative analysis, the true costs of energy can only be ascertained through a more complex set of calculations. As in its previous work, SACOSS has undertaken to make the necessary calculations using published prices and certain consumption characteristics. The consumption figures used in this analysis are sourced from the website of the Department of Transport, Energy and Infrastructure (DTEI), and as shown in the first *Cost of Living Biannual Update*.

Energy costs themselves have been taken from published Standing and Default Contract prices, for both electricity (AGL) and gas (Origin). It can be seen in Table 4 that the pricing structure for the Electricity Standing Contract has been changed to include two additional tiers. These additional tiers (see tiers 3 and 4 in Table 4) affect consumers of higher amounts of electricity than the baseline scenarios used in this analysis and are therefore worthy of note only, and have not been included in graphs or tables. Figure 9 shows these tier costs in index form.

Table 4: Electricity costs

Pricing Tiers (usage per day: kWh)	*Unit Price (cents per unit)*							
	Mar-06	**Mar-07**	**Mar-08**	**Mar-09**	**Sep-09**	**Change Mar-Sep 09 (cents)**	**Total change (cents)**	**Total change %**
1. First 3.2877	**16.973**	**17.831**	**18.546**	**18.964**	**20.889**	1.925	**3.916**	**23.1**
2. Next 7.6712	**19.756**	**20.064**	**20.746**	**21.285**	**23.463**	2.178	**3.707**	**18.8**
3. Next 16.4384					*27.126*	*3.047*	*6.138*	*29.2*
4. Next 27.3973					*27.522*	*3.443*	*6.534*	*31.1*
5. Thereafter	**20.988**	**21.362**	**22.044**	**24.079**	**27.522**	3.443	**6.534**	**31.1**
Supply	**35.53**	**37.037**	**40.733**	**43.065**	**47.685**	**4.62**	**12.155**	**34.2**

Figure 9: Electricity price changes

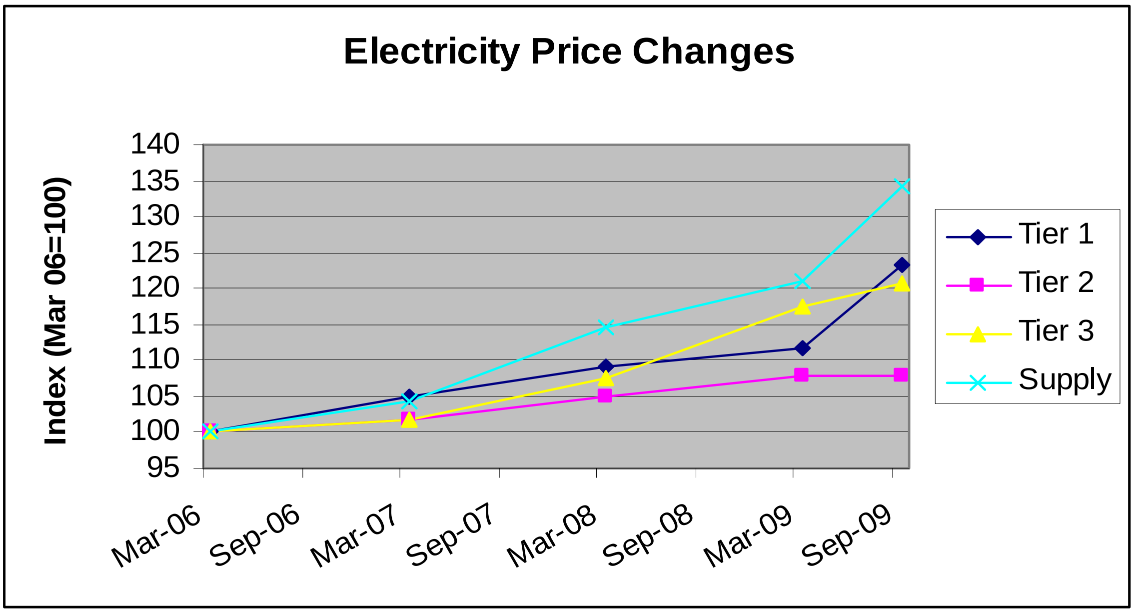
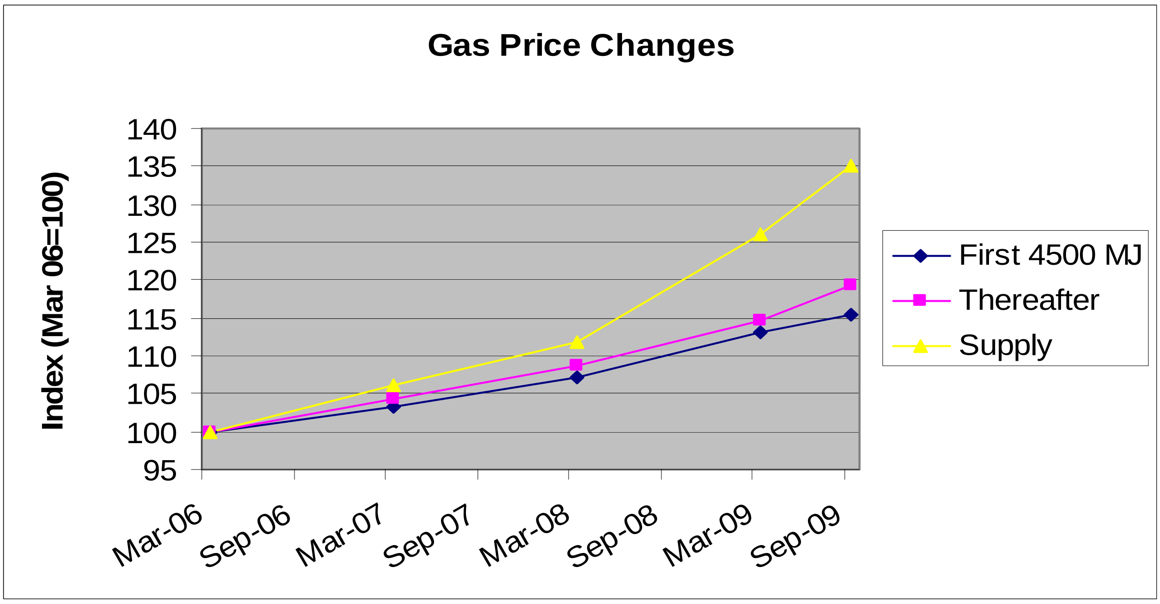


Table 5 and Figure 10 show changes to the tier prices and supply charge for the standard gas contract. Like electricity, gas supply charges have risen well above the consumption charges.

Table 5: Gas costs

Pricing Tiers (usage per qtr: MJ)	*Unit Price (cents per unit)*							
	Mar-06	**Mar-07**	**Mar-08**	**Mar-09**	**Sep-09**	**Change Mar-Sep 09 (cents)**	**Total Change (cents)**	**Total Change (%)**
First 4500	1.90949	1.9704	2.0453	2.16172	2.2044	0.04268	0.29491	**15.4**
Thereafter	1.2397	1.2914	1.3488	1.42219	1.4795	0.05731	0.2398	**19.3**
Supply (fixed per qtr)	3861	4093	4319	4869.7	5218.4	348.7	1357.4	**35.2**

Figure 10: Gas price changes



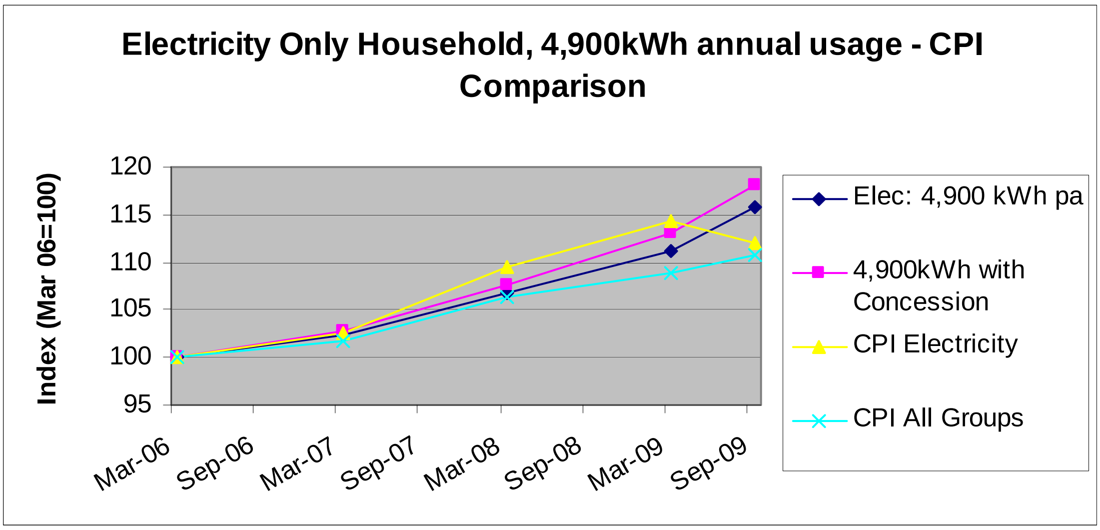
Using the pricing structure of the Electricity Standing Contract, calculations can be made for a low-end consumer, as shown in Table 6 below. What is significant about the findings of this *Update* is that the real value of the $120 per year state government energy concession has fallen over time, as both supply and usage costs have risen. Thus it can be seen that the costs to a concession recipient have risen more relative to a customer not in receipt of the concession. Figure 11 shows in graphic form the changes to actual expenditure for this scenario.

Table 6: Weekly electricity cost - household using 4,900 kWh per year

Annual Use	**4,900kWh**
Daily Use	**13.42kWh**

Daily Tier Pricing Levels	*Cost ($)*				
	Mar-06	*Mar-07*	*Mar-08*	*Mar-09*	*Sep-09*
3.2877	0.55802	0.58622	0.60973	0.62348	0.68677
7.6712	1.51552	1.53914	1.59147	1.63281	1.63113
2.4611	0.51653	0.52574	0.54252	0.59261	0.6232
Supply	0.3553	0.37037	0.40733	0.43065	0.47685
Total	2.94537	3.02147	3.15105	3.27955	3.41795
Total (Rounded)	**2.95**	**3.02**	**3.15**	**3.28**	**3.42**
Weekly Total	20.65	21.14	22.05	22.96	23.94
% Change	n/a	2.4	4.3	4.1	4.3
Index (Mar 06=100)	100	102.4	106.8	111.2	115.7
Including $132 pa Energy Concession (Inc. GST)					
Weekly Total	18.11	18.60	19.51	20.42	21.40
% Change	n/a	2.7	4.9	4.7	4.8
Index (Mar 06=100)	100	102.7	107.7	113.1	118.2

Figure 111: Weekly spend and All Groups CPI comparison



Using both the Electricity (AGL) and Gas (Origin) Standing Contract Prices, calculations can be made that show the cost to a low-consumption household consuming 2,800kWh of electricity and 10,900kWh of gas per year. Table 7 shows this methodology.

Table 7: Methodology for low consumption household, electricity and gas

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

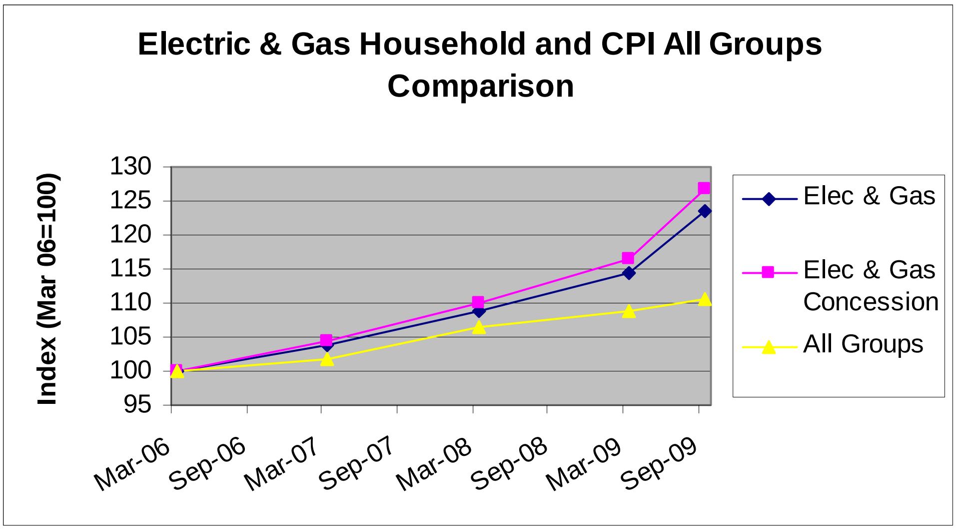
Table 8 shows the actual costs to a low consumption gas and electric household, calculated using the methodology outlined in Table 7.

Table 8: Weekly energy costs for low consumption household, electricity and gas

	Weekly Cost ($)				
	Mar-06	Mar-07	Mar-08	Mar-09	Sep-09
Electricity	12.46	12.88	13.51	13.93	15.34
Gas	6.97	7.28	7.61	8.28	8.63
Total	**19.43**	**20.16**	**21.12**	**22.21**	**23.97**
Change	n/a	0.73	0.96	1.09	1.76
% Change	n/a	3.8	4.8	5.2	7.9
Index	**100**	**103.8**	**108.7**	**114.3**	**123.4**
Including $132 pa Energy Concession (Inc. GST)					
Total	**16.89**	**17.62**	**18.58**	**19.67**	**21.43**
% Change	n/a	4.3	5.4	5.9	8.9
Index	**100**	**104.3**	**109.9**	**116.4**	**126.8**

Figure 12 shows an index comparison of the actual cost to households per week and All Groups CPI.

Figure 112: Electric and gas household weekly spend - CPI All Groups comparison



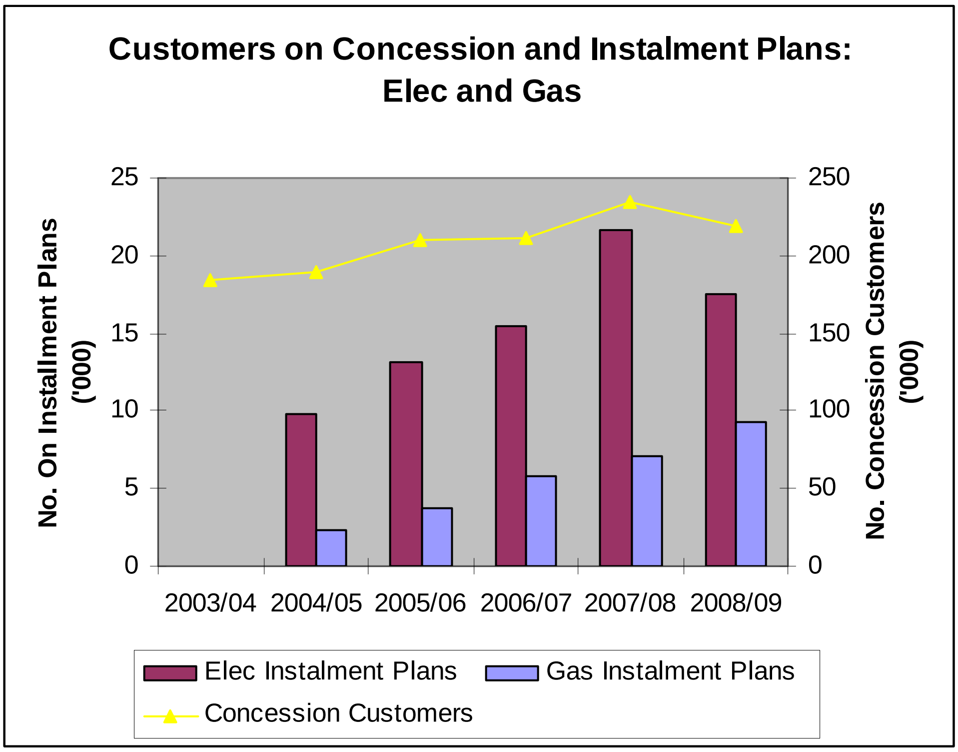
It can be seen in Figure 12 that even for a low consumption household, the rises in energy costs far outstrip the rise in CPI as a whole. Thus any increases to incomes based on CPI are not adequate in assisting low income households cope with rising energy costs.

It is little wonder that, faced with these rising costs, South Australian households are struggling to meet their energy requirements without assistance, and that even with assistance some still fail to avoid defaulting on bill payments and being disconnected. Recent data from ESCOSA (2009) shows that while the number of energy consumers receiving the $120 per year state government energy concession has dropped slightly in 2008-09, other hardship indicators continue to rise, for both electricity and gas. Figure 13 shows the changes in the numbers of customers on the energy concession, as well as both electricity and gas instalment plans.

It shows that while the number of concession customers has eased in 2008-09 (from 234,682 in 2007-08 to 219,323 in 2008-09), over 30% of the total residential customer base still receive the concession, and that the number of customers on instalment plans has increased significantly since

2004-05 – from just under 10,000 to over 17,500 (electricity) and from just over 2,000 to just over 9,000 (gas).

Figure 13: Energy customers on concession and instalment plans
(ESCOSA, 2008; 2009)

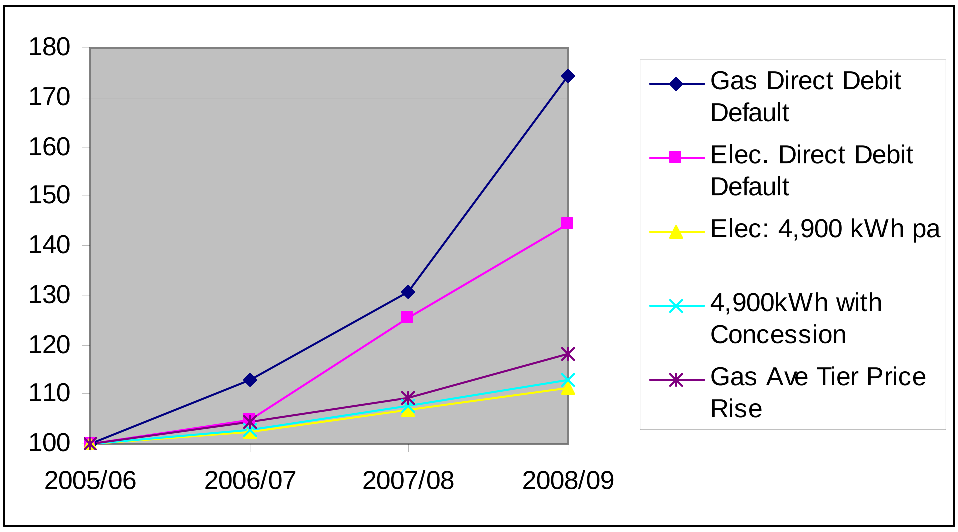


Still more significant are the numbers of direct debit defaults (electricity and gas), and disconnection of concession and instalment plan customers (electricity) in 2008-09, and the rises in these figures. Table 9 and Figure 14 below show these figures in numerical and index form.

Table 9: Direct debit defaults and disconnections for non-payment
(ESCOSA, 2009)

	2004/05	2005/06	2006/07	2007/08	2008/09
Numbers					
Direct debit defaults (elec)	25,817	27,387	28,722	34,395	39,526
Direct debit defaults (gas)	9,688	12,424	14,016	16,223	21,652
Disconnected Concession Customers			350	294	624
Disconnected Customers prev on Instalment Plan			271	411	1082
Index					
Direct debit defaults (elec)	100	106.1	111.3	133.2	153.1
Direct debit defaults (gas)	100	128.2	144.7	167.5	223.5
Disconnected Concession Customers (elec)			100	84	178.3
Disconnected Customers prev on Instalment Plan (elec)			100	151.7	399.3

Figure 14: Index comparison - direct debit defaults and cost changes



Direct Debit Default data show a direct correlation between price rises and defaults. They further show that relatively minor unit and consumption based price rises have a major effect on the number of defaulting customers, further illustrating the point that many energy consumers struggle to pay bills that represent a significant proportion of their income. What is even more concerning is the rise in numbers of customers on concessions and instalment plans who have been disconnected for non-payment during the 08-09 financial year (Figure 15).

Figure 15: Index comparison - disconnections for non-payment by customer type
(ESCOSA, 2008; 2009)

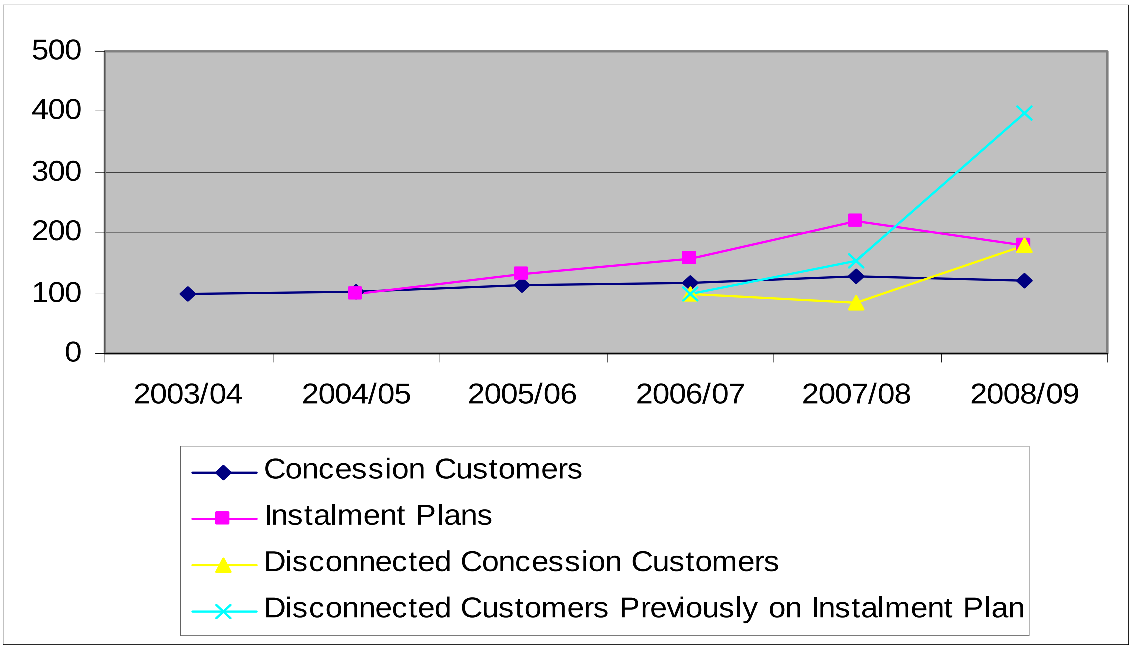


Figure 15 shows that while the number of customers in receipt of the energy concession and customers on payment instalment plans have dropped, the number of customers disconnected for non-payment who are on – or who have previously been on – these programs has risen dramatically. This may be due to customers 'falling off' the hardship policies of energy retailers and being disconnected, although this is speculative. It is however significant and in need of further analysis over time.

Water

As with energy, people are required to purchase water regardless of cost, as it is crucial for basic health and hygiene. It is an essential service – no household in South Australia can do without it. Because of this, and because water prices have been rising steadily over the last few years, water prices are a key component of the cost of living, which is why they have been included in this *Update*.

Until the end of the 2007-08 financial year, South Australians were charged for water based on a two-tiered system. Residential households were charged one price per kilolitre (thousand litres, or kL) for water usage between 0-125 kL per year, and another price per kilolitre for usage above 125 kL per year (Government of South Australia, 2006, p.4267). Table 10 shows the pricing arrangements for water from March 2006 to September 2009.

Table 10: Water costs

Tier and Dates Applicable	kL per year	Mar-06	Mar-07	Mar-08	Mar-09	Sep-09
Tier 1 (05-08)	0-125 kL	$0.46	$0.47	$0.50		
Tier 1 (08-10)	0-120 kL				$0.71	$0.97
Tier 2 (05-08)	>125 kL	$1.06	$1.09	$1.16		
Tier 2 (08-10)	120-520 kL				$1.38	$1.88
Tier 3 (08-10)	>520 kL				$1.65	$2.26
Supply Charge	*Fixed*	$145.00	$148.00	$157.40	$157.40	$137.60

It can be seen in the Table 10 that as of July 2008, South Australia switched to a three-tiered system of water pricing. This meant that residential households were charged one price for water usage of 0-120 kL per year, another price for water usage between 120-520 kL per year, and a third price for water usage above 520 kL per year (Government of South Australia, 2007, p.4710).

As is the case for gas, water customers are charged a fixed supply charge that does not vary according to consumption, to contribute to the cost of supplying water to homes across the state (SA Water, 2009). Table 10 shows that as consumption charges have risen, the fixed supply charge has dropped, bucking the trend we have seen in the other major utilities.

Based on the prices outlined above, simple calculations can be made to ascertain household expenditure on water, based on a usage assumption. Table 11 shows the total cost to a household per week, beginning in March 2006 and ending in September 2009. The figures are based on a total annual water consumption of 120 kL. This is a low, baseline figure, and hence falls within only the first tier of water charges (for both the two- and three-tiered payment systems).

Table 11 also shows the revised cost of 120 kL per week once the state government's water concession is factored in. According to the Department of Families and Communities' website (DFC, 2009), the current minimum concession rate (since July 2008) for the tenant of a rented property is $55.00 per year. Prior to this, renters received no concession from the government, as landlords were generally considered responsible for most water charges incurred on their property. This fact is reflected in Table 11, with concessions calculated from March-September 2009 only.

Table 11: Total cost per household per week

	Figures based on 120 kL annual consumption				
	Mar-06	*Mar-07*	*Mar-08*	*Mar-09*	*Sep-09*
Weekly Cost	$1.06	$1.08	$1.15	$1.64	$2.24
Supply Charge	$2.79	$2.85	$3.03	$3.03	$2.65
Total	**$3.85**	**$3.93**	**$4.18**	**$4.67**	**$4.88**
Change	n/a	$0.02	$0.07	$0.49	$0.60
% Change	n/a	2.1	6.4	11.7	4.7
Index	**100**	**102.1**	**108.6**	**121.3**	**127.0**
Including Water & Sewerage Concession ($1.06 per week)					
Total				**$3.61**	**$3.83**
Change				n/a	$0.22
% Change				n/a	6.1
Index				**100**	**106.1**

In March 2006, a household using 120 kL of water per year would have paid a total of $3.85 per week over the course of that year. This weekly cost has been rising steadily since then, to $3.93 per week in March 2007, $4.18 per week in March 2008, $4.67 in March 2009, up to $4.88 per week in September 2009.

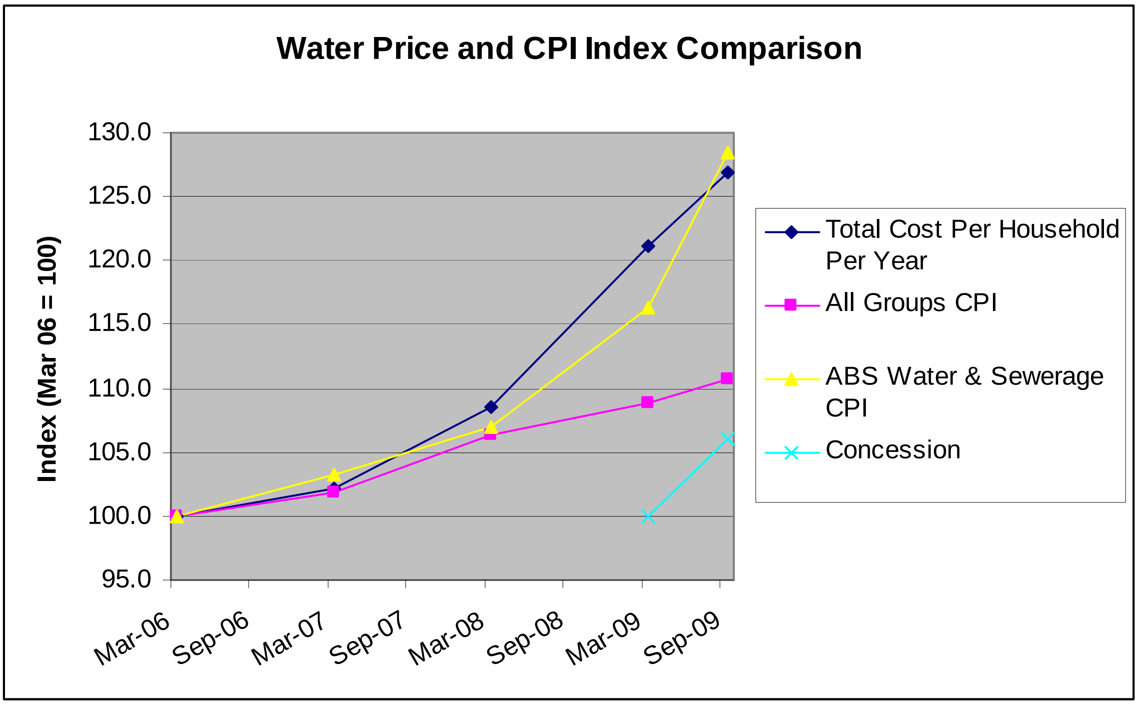
Therefore, in March 2006, a household using 120 kL of water per year would have paid a total of $200.20 over that year. Since then, the total cost of this level of water use has risen each year: to $204.40 in March 2007, $217.40 in March 2008, $242.60 in March 2009, and $254.00 in September 2009. In other words, a household using 120 kL of water per year is paying $53.60 more for the same amount of water now than in March 2006. This is despite a $19.80 drop in the supply charge between March and September 2009.

It is clear from the data above that the total cost of supplying even a baseline amount of water to a residential household has risen significantly over the period of March 2006 – September 2009. Unfortunately for low-income South Australians, this trend is likely to continue into the future, with the state government recently announcing price increases across all three tiers of water usage, as well as an increase in the supply charge. These rises have in part been driven by the costs associated with the desalination plant at Port Stanvac, due to come online in December 2010.

Figure 16 provides an indexed comparison of the total cost of water per household per year, as well as the All Groups CPI, and Water and Sewerage price CPI. The graph includes the total cost of water with concessions (light blue line) and without (dark blue line). As explained above, concessions for renters were only introduced in July 2008, hence data is only available from March 2009.

What Figure 16 does show is that water prices are rising significantly ahead of All Groups CPI, although the peak price falls slightly below that of the ABS water and sewerage price CPI. It also highlights the trend throughout the utilities wherein the cost to concession customers is rising at a more rapid rate relative to non-concession customers due to the loss of value for the concession.

Figure 16: Index comparison - water spend and CPI



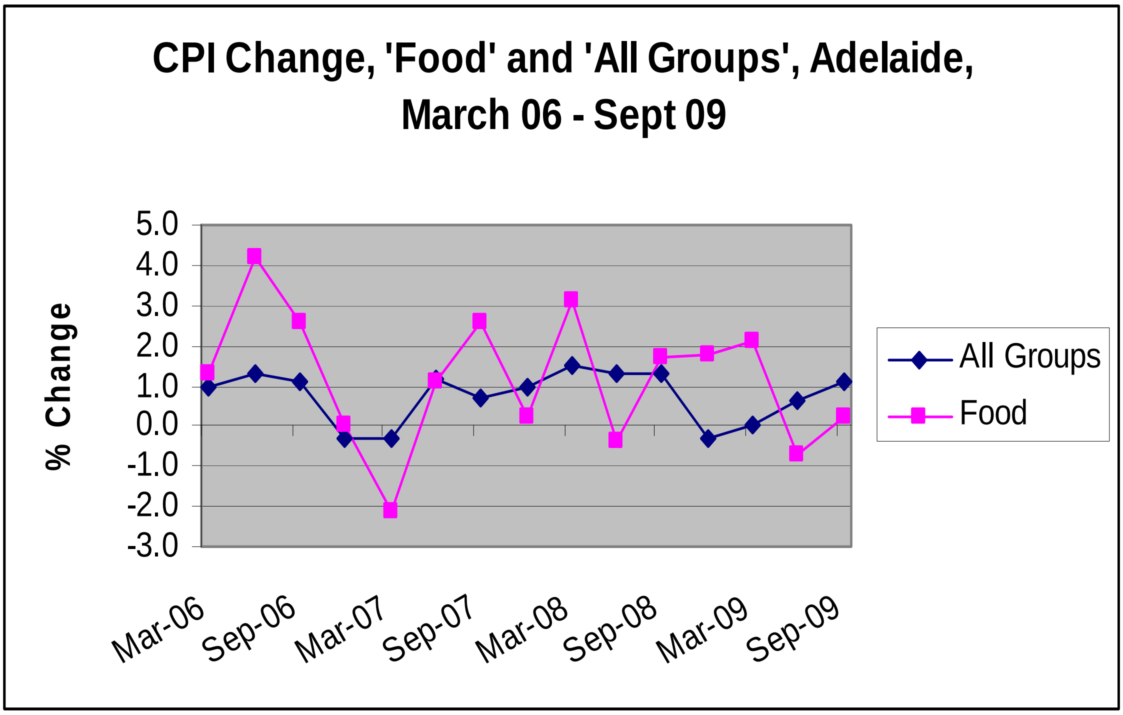
What all these data, and SACOSS calculations, show is that low income and vulnerable consumers are increasingly struggling to make ends meet in relation to energy and water requirements. Electricity and clean water are not optional items for any household, and figures from the 2003-04 HES around financial stress and energy spend by quintile are borne out by the additional figures shown here. It is highly likely that federal and state government policies around emissions reductions, renewable energy targets and water security will compound the stress already caused by increasing prices, and a new approach to how essential services such as energy and water are viewed in society is required.

Food

Much like housing, food is a basic human need. Without access to affordable and nutritious food, health and wellbeing suffers accordingly. More concerning is the knowledge that poor nutrition during key developmental stages can set the scene for a number of chronic conditions throughout the lifecycle.

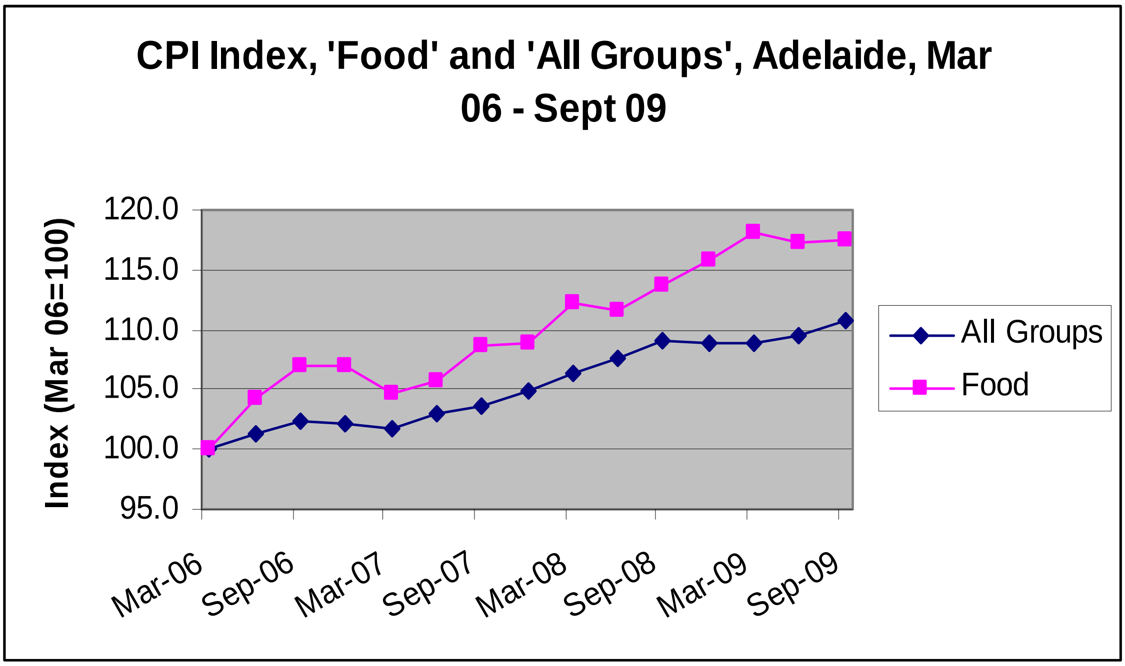
The first *Update* highlighted the rising costs of food as compared to CPI in total, finding that while CPI and incomes had risen moderately over the previous three years, CPI for Food had risen at a greater rate. Food is also quite volatile in comparison to other expenses (with the exception of fuel), with significant impacts being made by weather conditions and seasonal changes. Figure 17 below highlights this point by showing the fluctuations in CPI All Groups and CPI Food from March 2006 to September 2009.

Figure 17: CPI Comparison, Adelaide Prices
(ABS, 2009b)



When shown as an index (and thus a much smoother graph) it can be seen that the cumulative effect of CPI rises for Food mean that it remains a significant issue for nutrition and overall public policy. Figure 18 below shows the divergence of CPI for Food from CPI All Groups over the period March 2006 to September 2009.

Figure 18: Index, All Groups CPI and Food CPI, Adelaide
(ABS, 2009b)



While the divergence shown above is of itself concerning, it is more concerning that certain basic foodstuffs have risen higher than the total. In the previous *Update*, fruit and vegetables were of particular concern – in the intervening period, these prices have eased somewhat. More recent data shows that dairy products and bread and cereals are significant in their divergence from other food products. The limits that selected rises place on the spending habits of low income households may mean that diets become or remain unbalanced, potentially having a significant negative impact on health and wellbeing outcomes. Figure 19 shows the index for specific food groups as compared with CPI Food and CPI All Groups, while Figures 20 and 21 show the total rises in these components from March 2006 to September 2009.

Figure 19: Food Items - index comparison
(ABS, 2009b)

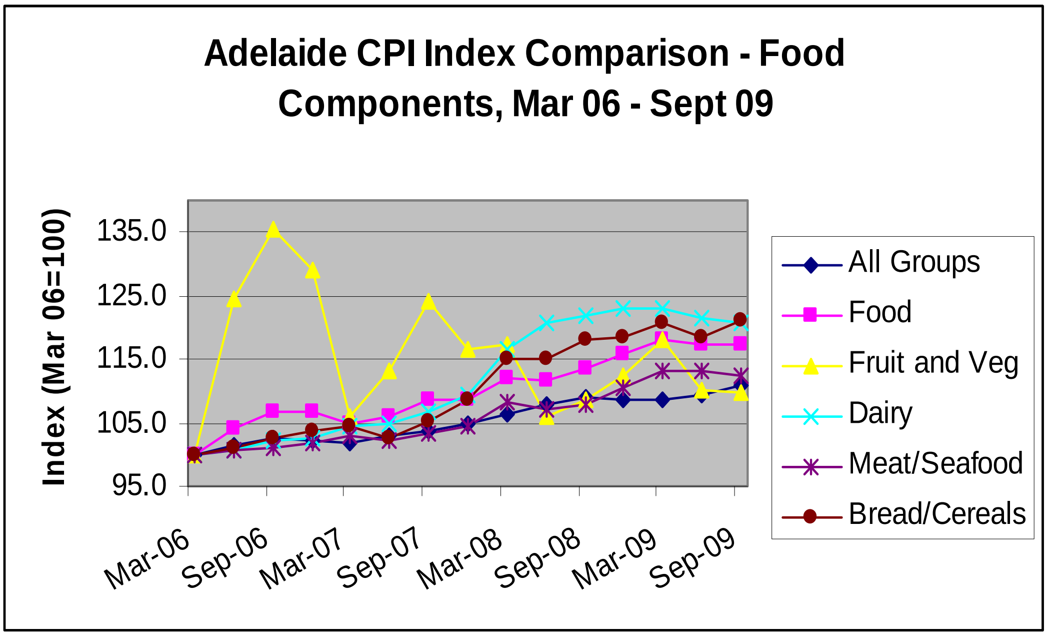


Figure 20: Average Quarterly Growth, selected groups
(ABS, 2009b)

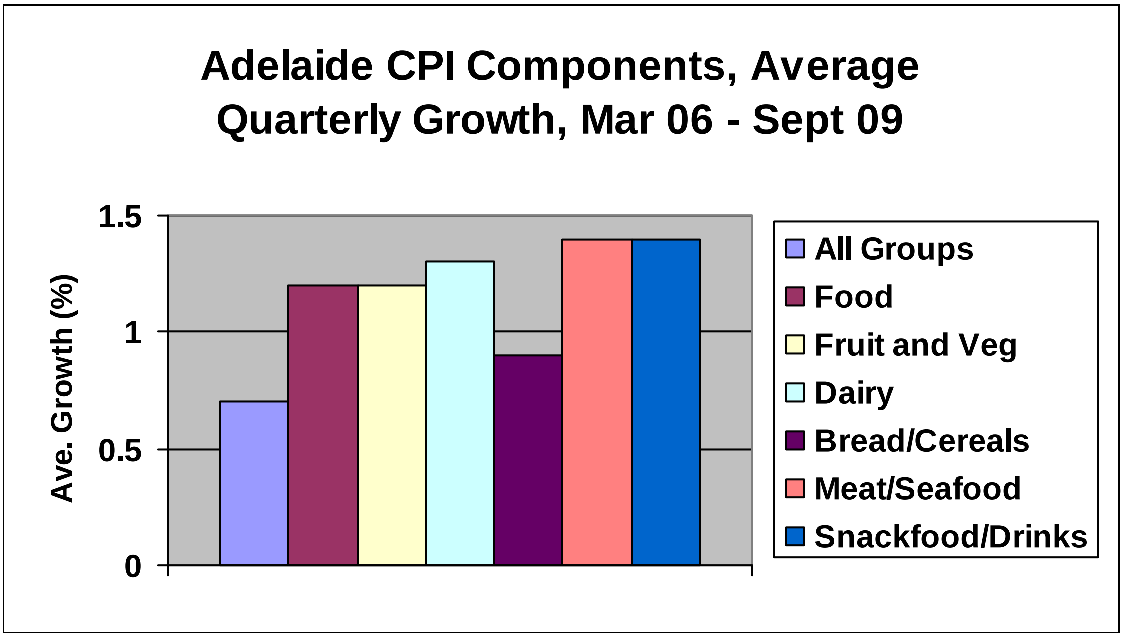
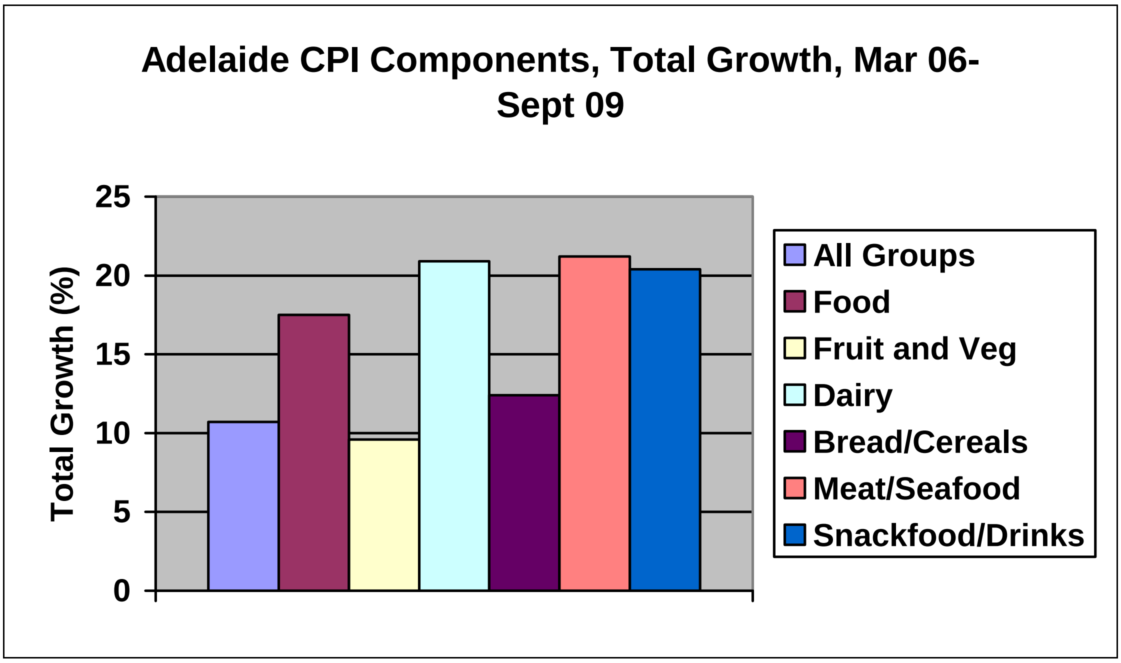


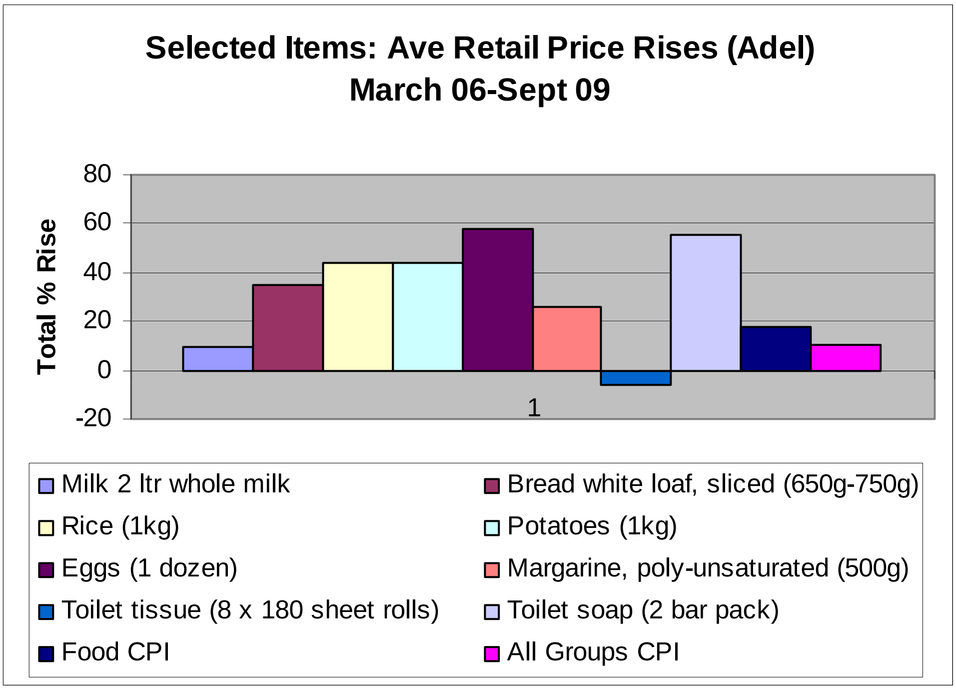
Figure 21: Total CPI growth, selected groups
(ABS, 2009b)



As mentioned above, CPI for Fresh Fruit and Vegetables has dropped over 2009, the result being that the total rise since 2006 is much smaller than shown in the previous *Update*. If we consider ABS figures for average retail prices (REF), we can see that in fact Fruit and Vegetables dropped by 16.9% between March and September this year, and more moderate drops were seen in other components, with Bread and Cereal Products, Processed Fruit and Vegetables and Household Supplies all showing negative growth of between -0.1 and -2.4%.

If we dig down further, however, we can see that certain products have risen significantly compared to the ‘basket’ of goods of which they are part. ABS data for average retail prices show that the highest rises between March 2006 and September 2009 have been for eggs (58%), potatoes (nearly 44%), bread (35%), rice (44%) and toilet soap (55.5%). In the six months between March and September 2009, the highest rises have been for rice (3.7%), carrots (2.9%), baked beans (2.6%) and margarine (2.3%). Figure 22 below shows the total rises of a number of selected retail items between March 2006 and September 2009.

Figure 22: Average retail prices of selected items, Adelaide - % change
(ABS, 2009a)



What the recent data around food and household items shows is that while there has been a trend towards negative growth in prices generally over the previous six month period, many prices remain high. More importantly, the figures for total price growth over the period display a divergence between CPI All Groups (often used to justify low income growth) and CPI Food components.

Transport

During the compilation of the previous *Update*, it was shown that the main cost associated with operating a car was for fuel. Other costs, such as licensing and registration, insurance and servicing were minor when compared to fuel when viewed as weekly expenses rather than individual one-off costs. However when reading this section two things should be noted. Firstly, some of the costs included (eg registration) are paid in lump sums and therefore the weekly figures are indicative only. The effects on households of receiving a registration renewal notice will be quite different from the expenses cited below. Secondly, while servicing costs have been included, repairs and new tyre costs have not. The intermittent nature of these expenses makes them difficult to include and so they have been omitted.

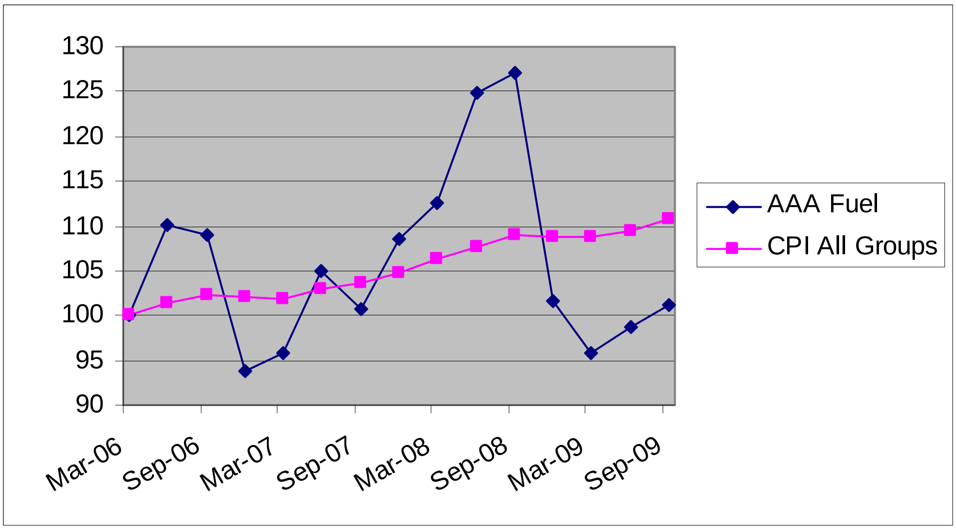
Fuel price data show that the average price of unleaded petrol has fluctuated significantly over the last three years, both in metropolitan Adelaide and in regional areas. While prices have moderated since the highs of mid-2008, they remain a significant burden on many households, particularly as the urban boundaries continue to expand North, South and East. Table 12 below shows the average monthly price for Adelaide and an average of the 8 regional districts.

Table 12: 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	**Nov 08**	115.6	133.2
Feb 08	129.6	142.3	**Dec 08**	104.2	112.0
Mar 08	140.5	145.2	**Jan 09**	109.3	111.2
Apr 08	143.8	148.3	**Feb 09**	122.2	123.0
May 08	150.1	154.9	**Mar 09**	117.1	124.2
Jun 08	160.1	163.3	**Apr 09**	117.9	122.1
Jul 08	160.0	167.0	**May 09**	117.3	120.8
Aug 08	149.3	156.3	**Jun 09**	123.9	125.6
Sept 08	152.3	156.7	**Jul 09**	120.8	126.4
Oct 08	149.4	154.7	**Aug 09**	124.9	127.0
Sept 09		**121.5**		**127.5**	

It can be seen in the table above that fuel prices are prone to fluctuation – international production rates and the value of the Australian dollar (amongst other things) can have a significant effect in changing prices for South Australian households. Figure 23 below shows these prices in index form, which also illustrates the volatility of fuel prices.

Figure 23: Adelaide Fuel Price Index
(AAA, 2009)



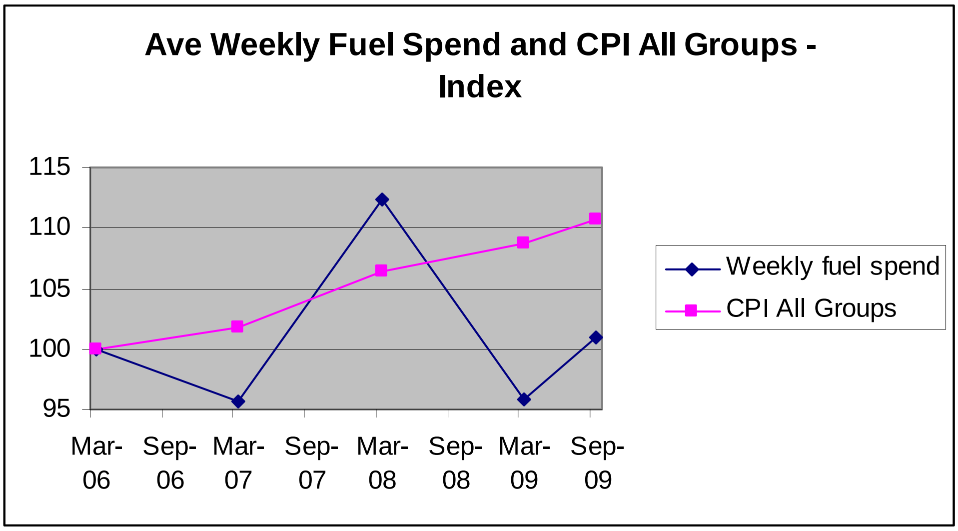
By using the same method employed in the previous *Update*, calculations can be made which show the weekly cost of fuel, based on vehicle use and vehicle average consumption data. Table 13 below shows the results of these calculations, while Figure 24 compares the weekly fuel cost to CPI All Groups in index form.

Table 13: Fuel Consumption and Cost Calculations [7]

Annual Distance Travelled (km)	*Annual Fuel Usage (Litres)*	*Time Period*[8]	*Fuel Price (cents per litre)* [9]	*Annual Fuel Expenditure*	*Weekly Fuel Expenditure*
15,000 [10]	1,665	March Qtr 2006	121.3	$2,019.65	**$38.84**
11,500 [11]	1,276.5	March Qtr 2006	121.3	$1,548.39	**$29.78**
15,000	1,665	March Qtr 2007	116	$1,931.40	**$37.14**
11,500	1,276.5	March Qtr 2007	116	$1,480.74	**$28.48**
15,000	1,665	March Qtr 2008	136.3	$2,269.40	**$43.64**
11,500	1,276.5	March Qtr 2008	136.3	$1,739.87	**$33.46**
15,000	1,665	March Qtr 2009	116.2	$1,934.73	**$37.21**
11,500	1,276.5	March Qtr 2009	116.2	$1,483.29	**$28.52**
15,000	1,665	Jun Qtr 2009	119.7	$1,993	**$38.33**
11,500	1,276.5	Jun Qtr 2009	119.7	$1,527.97	**$29.38**
15,000	1,665	Sept Qtr 2009	122.4	$2,037.96	**$39.19**
11,500	1,276.5	Sept Qtr 2009	122.4	$1,562.44	**$30.05**

[7] Fuel consumption based on average fuel efficiency of 11.1 litres per 100km traveled.
[8] Figures based on average of three-monthly periods.
[9] Fuel cost per time period from Table 3 and based on Australian Automobile Association data.
[10] Figure obtained through communication and correspondence with the RAA.
[11] The distance of 11,500 sourced from ABS (2008a).

Figure 24: Index comparison - average weekly fuel spend and All Groups CPI



These figures show that based on usage and travel assumptions, the weekly cost of fuel has risen by about $1.50 since the previous *Update*. However this represents a rise of over 5%, much more than the corresponding rise in All Groups CPI. When additional costs are factored in, in can be seen that even minor rises such as these can compound to impact on low and fixed income households.

In order to reach a total figure for weekly car expenses, the following additional costs have also been calculated:

- Registration and Compulsory Third Party (Bodily) insurance, comprising (annual payment):
  - $99 registration
  - $6.00 admin fee
  - $24.00 Emergency Services Levy (ESL)
  - $60.00 stamp duty on insurance
  - $480.36 CTP insurance (incl. GST)
  - Total of $633 per 12 months (when paid in lump sum), or $12.17 per week

- Licensing
- Servicing costs
- Third Party Property Insurance

Table 14 below shows these costs in table form, with comparison prices from the previous *Update*.

Table 14: Other Motoring Expenses

Expense Type	*Calculations for Sept 2009*	*Weekly Cost Mar 09*	*Weekly Cost Sept 09*	*% Change*
Registration and Compulsory Third Party Insurance (CTP)	Annual registration and CTP for 4 cylinder vehicle: $633 (when paid in lump sum).	**$11.44**	**$12.17**	**6.4**
	For pensioner card holders, there is a 50% discount on registration costs, and exemption on insurance stamp duty. This brings total to $559.86.	**$9.38**	**$10.77**	**14.8**

Licensing	Renewal for up to 10 years at $27 per year, with admin fee of $15. For ten years, total of $285, divided by 10 is $28.50 per year.	**$0.53**	**$0.55**	**3.8**
	Pension card holders, 50% discount: $14.25 per year.	**$0.26**	**$0.27**	**3.8**
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**	**$6.12**	**0**
Insurance [12]	Female, 34 years old: $218 pa	**$4.69**	**$4.19**	**-10.7**
	Male, 65 years old: $195 pa	**$4.27**	**$3.75**	**-12.2**
	Male, 21 years old: $266 pa	**$5.67**	**$5.12**	**-9.7**

Using the figures from Tables 13 and 14 above we can arrive at basic figures for the total cost of running a car for a week for 3 different drivers. These total figures are shown in Table 15 below.

Table 15: Car Costs [13]

September 2009			
Expense Type	*34 yr. old female*	*65 yr. old male*	*21 yr. old male*
Fuel (11,500km pa)	$30.05	$30.05	$30.05
Registration and CTP	$12.17	$10.77	$12.17
Licensing	$0.55	$0.27	$0.55
Servicing	$6.12	$6.12	$6.12
Insurance	$4.19	$3.75	$5.12
Total	**$53.08**	**$50.96**	**$54.01**
Rounded	**$53**	**$51**	**$54**
March 2009 [14]			
Total	**$51.30**	**$48.55**	**$52.28**
Rounded	**$51**	**$49**	**$52**
Change – March to Sept 2009			
Change	**1.78**	**2.41**	**1.73**
% Change	**3.5**	**5**	**3.3**

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[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

[14] The previous *Update* was in error, as it included fuel cost figures for 15,000km pa in the corresponding table, while citing the cost for 11,500km pa. This error has been amended in this table for the purposes of comparison.

From Table 4 it can be seen that while percentage rises have been somewhat moderate, the change for a 65 year old male receiving concessional licensing and registration costs, the rise has been higher. As with energy, the cause of this is the loss in real value of the available concessions, as the elements of total registration costs that are exempt from the concession have risen at a faster rate than those that are applicable.

An obvious although limited alternative to private transport is public transport. In the previous *Update*, the costs for normal and concessional 10-trip 'Multitrip' tickets were quoted. Since then, the state government has allowed for free interpeak travel (that is between 9am and 3pm on weekdays) for Seniors Card holders. For actual ticket purchases, the costs have increased from $27.80 to $29.00 for non-concession tickets, and from $13.80 to $14.40 for concession recipients. These represent rises of 4.3% for both classes – less than those for private motoring, but nevertheless representing an added burden on the household budget.

Income

Since the publication of the *Cost of Living Biannual Update No. 1*, there have been some increases in Centrelink core payments and allowances, although these have been small and inconsistent. Age and Disability Support Pensioners have received a much needed 8.1% increase on their core payments and minor increases to various allowances. In contrast, sole parents on Parenting Payment (2.7%) have received very little in the way of relief from rising costs, while Youth Allowance recipients have received nothing in the latest round of increases. Table 16 shows the changes to Centrelink payments since March 2006, including the most recent changes which came into place towards the end of the September Quarter 2009.

Table 16: Changes to Government Payments

	Weekly - Max Amounts ($ and cents)				
	Mar 06	**Mar 09**	**Sep 09**	**% Change Mar-Sept 09**	**Total % change**
Core Payments					
NSA	205.30	226.65	228.00	2.7	**15**
PP	249.85	284.90	287.25	4.7	**23.2**
AP/DSP	249.85	284.90	307.90	8.1	**11.1**
YA	167.35	185.70	185.70	0	**11**
Other Payments					
RA (single no children)	50.30	55.60	55.90	.6	**11.1**
RA (single with children)	59.15	65.24	65.66	.8	**11**
PhA	2.90	3.00	3.00	0	**3.4**
TAL	1.60	1.80	3.60	1.6	**14.6**
UA	1.98	10.00	10.04	3.2	**408.4**
FTB A (per child under 13)	68.53	75.67	78.47	5.6	**14.5**
FTB B	58.80	64.40	66.78	4.8	**13.6**

Table 15 shows that while Pension payments may have had a greater rise this year, since 2006 it is the Parenting Payment that has shown the strongest growth, at around 23%. Of the additional allowances, FTB A (5.6%), FTB B (4.8%) and Utilities Allowance have seen the highest growth this year, with the Utilities Allowance outstripping all payments in terms of growth since 2006. Tables 17 to 20 below show the real effects that changes to the different payments have on recipients.

Table 17: Changes, Single Unemployed Person

TOTAL: Single NSA Recipient, Private Rental(NSA+RA)				
	Weekly amount	*change*	*%change*	*index*
Mar 06	255.60			100
Mar 07	264.15	8.55	3.3	103.3
Mar 08	272.15	8.00	3	106.4
Mar 09	282.25	10.10	3.7	110.3
Sep 09	283.90	1.65	0.6	111
Total		28.30	11.1	

Table 18: Changes, Sole Parent

TOTAL: Sole Parent, 2 children under 5, private rental (PP+RA+FTB A+FTB B+PhA)				
	Weekly amount	*change*	*%change*	*index*
Mar 06	507.76			100
Mar 07	527.88	20.12	4	104
Mar 08	547.20	19.32	3.7	107.8
Mar 09	568.88	21.68	4	112.2
Sep 09	579.63	10.75	1.9	114.2
		71.87	14.2	

Table 19: Changes, Single Pensioner

TOTAL: Single AP or DSP Recipient, Private Rental (Pension+RA+TA+PhA+UA)				
	Weekly amount	*change*	*%change*	*index*
Mar 06	306.60			100
Mar 07	321.18	14.58	4.8	104.8
Mar 08	341.21	20.03	6.2	111.3
Mar 09	355.25	14.13	4.1	115.9
Sep 09	378.64	23.39	6.6	123.5
Total		72.04	23.5	

Table 20: Changes, Single Youth Allowance Recipient

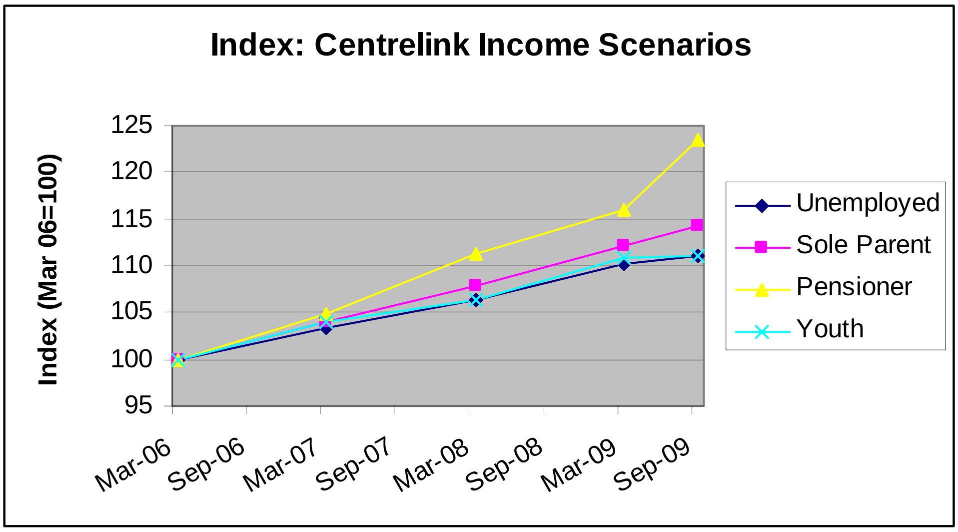
TOTAL: YA Recipient, Private Rental (YA+RA)				
	Weekly amount	*change*	*% change*	*index*
Mar 06	217.65			100
Mar 07	226.05	8.4	3.9	103.9
Mar 08	231.30	5.25	2.3	106.3
Mar 09	241.30	10	4.3	110.9
Sep 09	241.60	0.30	0.1	111
Total		23.95	11	

These figures show that over the last 3 ½ years, Pensioners and Sole Parents have had the highest rises, in many ways reflecting the additional costs of raising children and living with health and wellbeing issues. When the changes to payment scenarios are shown together in index form as in Table 21 and Figure 25 (below), the disparities in payments are clear.

Table 21: Index - all payment scenarios

Index, all recipients, total weekly payments				
	Unemployed	**Sole Parent**	**Pensioner**	**Youth**
Mar 06	100	100	100	100
Mar 07	103.3	104	104.8	103.9
Mar 08	106.4	107.8	111.3	106.3
Mar 09	110.3	112.2	115.9	110.9
Sep 09	111	114.2	123.5	111

Figure 25: Index - Government Income Scenarios



The figures above clearly show that the least valued in our society are unemployed people and young people who are unemployed or in full time study. Figure 25 in particular shows that NSA and YA payments have flattened relative to Pensions and that this has been more marked since 2007.

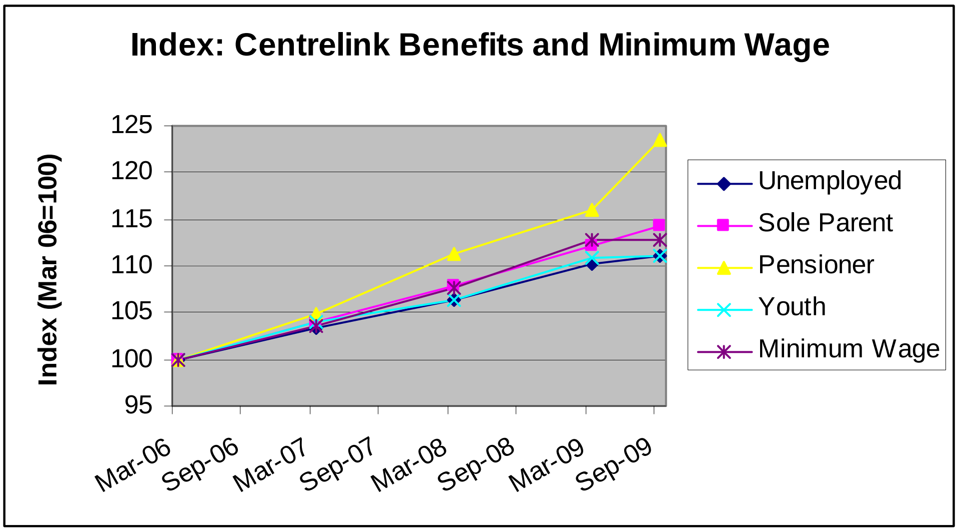
The South Australian state minimum wage is another example of incomes being linked in some way to All Groups CPI, and highlights the flawed nature of our wage system as much as it does our transfer system. While there will be a modest rise in the minimum wage in October 2009 (see Table 22), this falls outside the September Quarter and thus for the purposes of this second *Cost of Living Biannual Update*, no changes are to be made.

Table 22: 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	

Just the same as in the first *Update*, if the minimum wage is compared to Centrelink benefit recipients, it can be seen to roughly 'split the middle' between pensions (including Parenting Payment) and unemployment benefits (Figure 26).

Figure 26: Index comparison - government payments and minimum wage

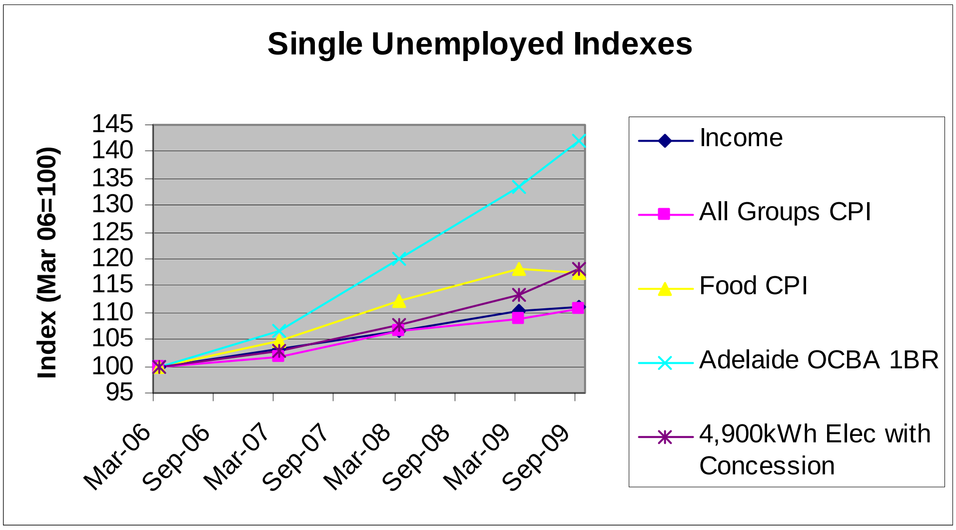


While it is illuminating in its own right to see the changes in various income scenarios, it is ultimately more useful to view comparisons between income and expenses. The following section shows just this – a comparison between rises in incomes and rises in costs of essential services over the 3 ½ years since March 2006.

Conclusion — income vs. expenses

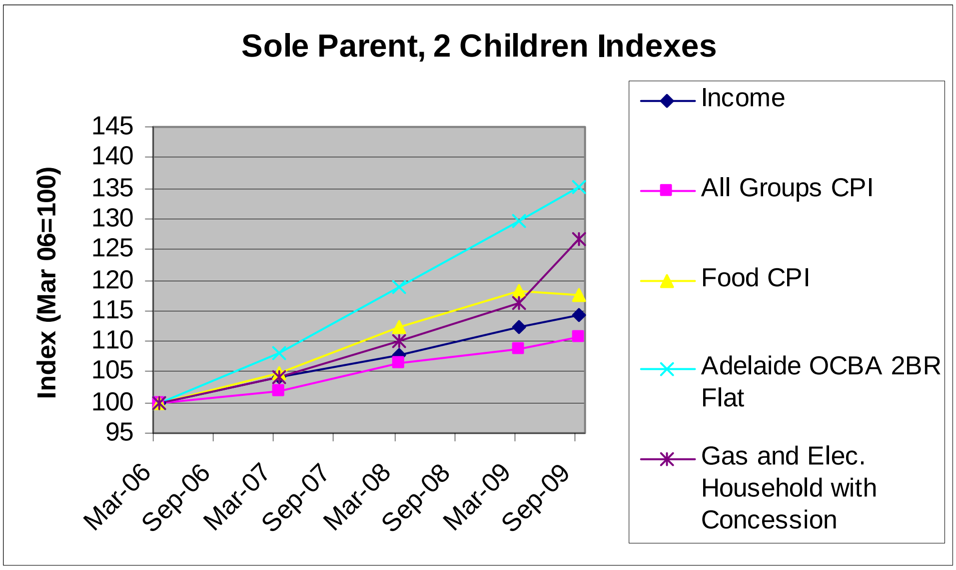
This second *Cost of Living Biannual Update*, like its predecessor, has shown that the costs of essentials such as housing, energy, food and transport, have grown at a faster rate than CPI as a whole. In many cases, the on-the-ground costs have also risen faster than their correspondent CPI components. What this section does is to show these price rises in comparison to income for various scenarios.[15] Figures 27 to 31 show the costs versus income scenarios in index form – SACOSS believes that this is the most honest and robust way in which to show the comparative data.

Figure 27: Index - Single Unemployed Person Scenario



While single unemployed people on Newstart Allowance have had a modest increase in payments, costs have risen at a much faster rate in the last six months since March. The cost of housing still represents the main source of angst for this group, with the cost of a one bedroom flat representing 75% of weekly income, compared to around 71% in March 2009 and 59% in March 2006. Together with electricity costs, housing represents nearly 83% of weekly income, leaving very little for food, let alone car running costs or any form of recreational activity. Put simply, a single NSA recipient cannot afford to live alone in the private rental market.

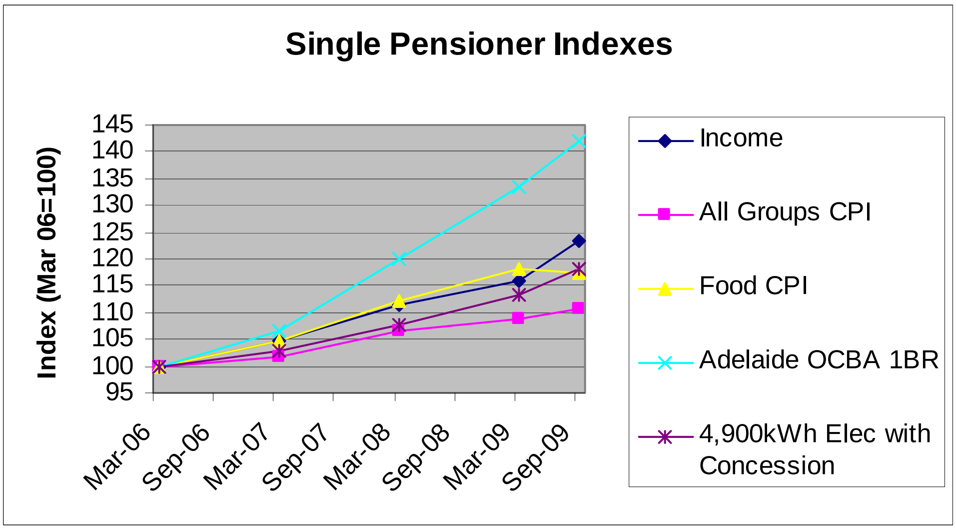
Figure 28: Index - Sole Parent Scenario



[15] Water costs have not been included in this section due to the uncertainty of long-term trends in liability for water costs for private tenants.

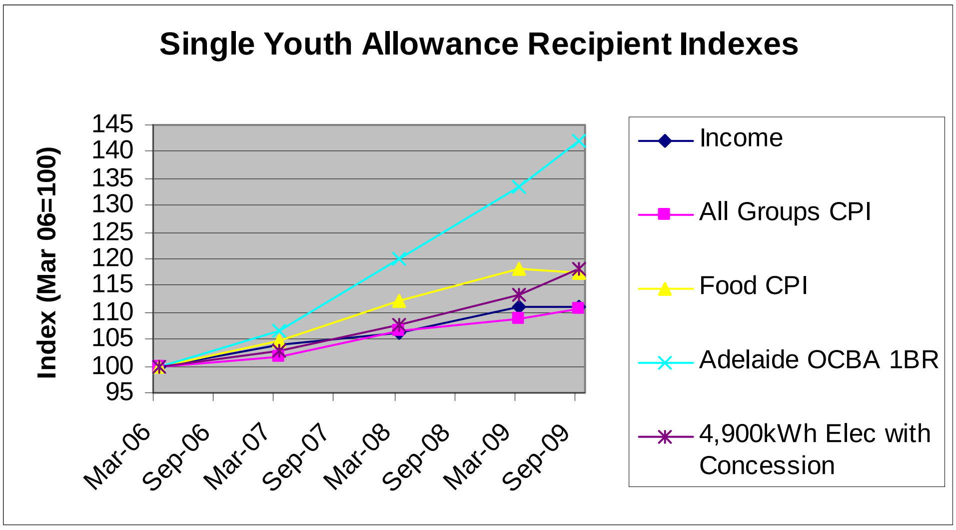
A sole parent with two children under the age of five and with no additional income is also struggling to make ends meet. While payments have increased by a little over 14% since March 06 – and nearly 2% in the last six months – housing cost increases alone have eroded any rise. The weekly cost of a two bedroom unit now represents 43% of income, and when the costs of gas, electricity and car costs are included, 56% of income is gone before food is bought and any other expenses met. It is clear that the costs not included in this *Update* form a greater proportion of expenditure for a young family, and this is of perhaps the greatest concern.

Figure 29: Index - Single Pensioner Scenario



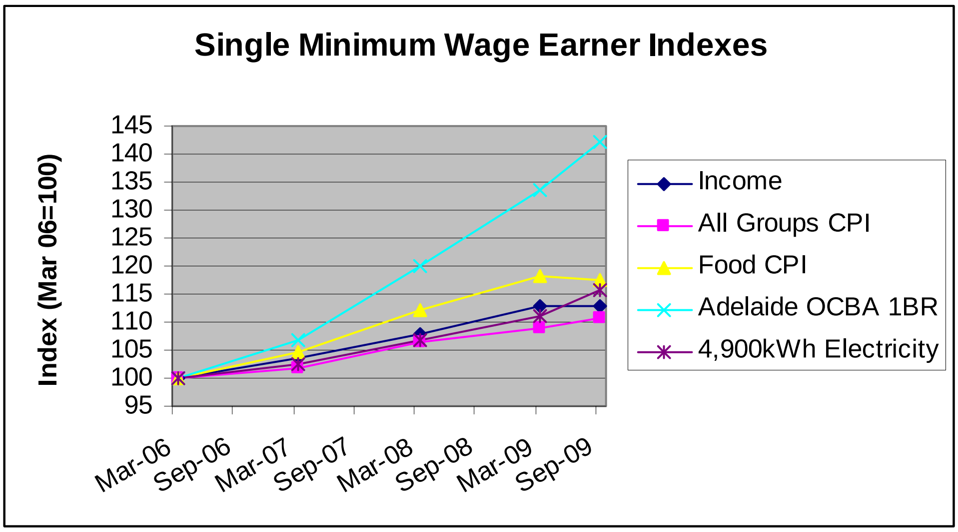
It was noted in the previous *Update* that single pensioners can be seen on a basic level to fare better than other Centrelink benefit recipients. Such a simplistic view would however not take into account the additional cost burdens felt by many Age and Disability Support Pensioners, such as health and pharmaceuticals and additional heating and cooling needs, to name just some. Leaving out any costs associated with running a car, a single pensioner living in a one bedroom unit would be spending 62% of their weekly income on housing and energy alone, leaving little for any additional costs.

Figure 30: Index - Single Youth Allowance Recipient Scenario



Much like single NSA recipients, Youth Allowance recipients with no additional income simply cannot afford to live independently in their own home. The cost of a one bedroom unit would cost 88% of weekly income – a 30 cents a week rise in payments has been accompanied by a rent rise of $13. If a base amount of electricity is included, there would be less than $7 per week left for any other expenses.

Figure 31: Index - Single Minimum Wage Earner Scenario



While single state minimum wage earners only received a pay rise in October this year, in general they should fare better than Centrelink payment recipients. However rises in the cost of essentials mean that this comparative advantage is being inexorably eroded, with a 6.5% rise in rental costs (one bedroom unit) and a 4.3% rise in the cost of electricity. In September, the combined cost of housing, energy and car costs represents around 53% of weekly income. When considered in association with the additional costs associated with undertaking full-time work, the rising cost of essentials shows that while the costs of living may be met, the standard of living for the low-paid workforce is slipping.

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