



**SACOSS**

*South Australian Council  
of Social Service*

## **Cost of Living Update**

**No.10, May 2012**

*SACOSS Cost of Living Update*  
No. 10, May 2012

ISSN 1836-5248 (Print)  
ISSN 1836-5256 (Online)

First published in May 2012 by the  
South Australian Council of Social Service

47 King William Road  
Unley, SA, 5061 Australia  
Ph (08) 8305 4222  
Fax (08) 8272 9500  
Email: [sacoss@sacoss.org.au](mailto:sacoss@sacoss.org.au)  
Website: [www.sacoss.org.au](http://www.sacoss.org.au)

© South Australian Council of Social Service, 2012

This publication is copyright. Apart from fair dealing for the purpose of private study, research, criticism or review, as permitted under the Copyright Act, no part may be reproduced by any process without written permission. Enquiries should be addressed to the Communications Officer, South Australian Council of Social Service Inc.

## Contents

Introduction .....	i
SECTION 1: March Quarter 2012 Cost of Living Changes.....	1
<i>Prices</i> .....	1
<i>Income</i> .....	2
<i>Longer-term trends</i> .....	3
NATSEM Data .....	4
SECTION 2: Transport Prices.....	6
<i>The importance of Household Expenditure on Transport</i> .....	6
<i>Summary of Transport Price Movements</i> .....	7
<i>Disaggregated Transport Prices</i> .....	8
Urban Transport (Public Transport) Fares .....	8
Private Motoring.....	10
Summary of Disaggregated Transport Price Increases.....	12
<i>Conclusion</i> .....	12
APPENDIX: Explanatory Notes.....	14
1. CPI and ALCI .....	14
2. Limitations of the ALCI Data .....	14
3. Household Income and Increased Work Hours.....	15
Sources .....	16

## Figures

Figure 1: Increases in ALCI and CPI March Qtr 2012.....	1
Figure 2: ALCI & CPI Indexes .....	3
Figure 3: Transport Prices and CPI – South Australia.....	7
Figure 4: Disaggregated Adelaide Transport Prices .....	8
Figure 5: CPI - Private Motoring Prices, Adelaide.....	11
Figure 6: Household Income, Wages and CPI Growth, Australia .....	15

## Tables

Table 1: Cost of Living Changes March Qtr 2012 by expenditure type.....	1
Table 2: Cost of Living Change March Qtr 2010 – March Qtr 2011 .....	2
Table 3: Recent Gains by Household Type, 2003-04 to 2009-10.....	5
Table 4: Recent Gains by Income Quintile.....	5
Table 5: National and SA Transport Expenditure.....	6
Table 6: Public Transport Expenditure by Household Type, Australia.....	9
Table 7: Expenditure on Taxis by Household Type, Australia.....	9
Table 8: Expenditure on Fuel by Household Type, Australia.....	11
Table 9: Price changes and relative importance of different transport prices, Adelaide.....	12

## Introduction

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

The first part uses the Australian Bureau of Statistics' Analytical Living Cost Index (ALCI) to show changes in the cost of living (ABS, 2012a). As a summary measure, the ALCI is preferred over the better known Consumer Price Index (CPI) because the CPI measures changes in the price of a set basket of goods. This basket includes goods and services that are not part of the expenditure of the poorest households. This is important because if expenditure on bare essentials makes up the vast bulk (or entirety) of expenditure for low income households, then price increases in those areas are crucial whilst price increases or decreases on other discretionary goods are largely irrelevant. However, increases in the prices of bare essentials may be masked in the generic CPI by rises or falls in other goods and services in the CPI basket.

The ALCI uses a different methodology to CPI (see Explanatory Note 1) and it disaggregates expenditure into four different household types (ABS, 2012b), although this *Cost of Living Update* focuses only on the "Aged Pension" and "Other government transfer recipient" (hereafter "other welfare recipients") figures, as these are likely to represent the more disadvantaged households. While the ALCI also has limitations in tracking cost of living changes for these groups (see Explanatory Note 2), it does provide a robust statistical base, a long time series, and quarterly tracking of changes. This report also adds to the ALCI figures by putting a dollar value on the percentage changes in the ALCI.

The second section of the SACOSS *Cost of Living Updates* also contains a more in-depth analysis of cost of living trends in one key area of concern in relation to cost of living pressures on vulnerable and disadvantaged South Australians. This *Update* focuses on transport costs and uses the disaggregated CPI figures for Adelaide, as well as quantitative and qualitative data from other sources.

# SECTION 1: March Quarter 2012 Cost of Living Changes

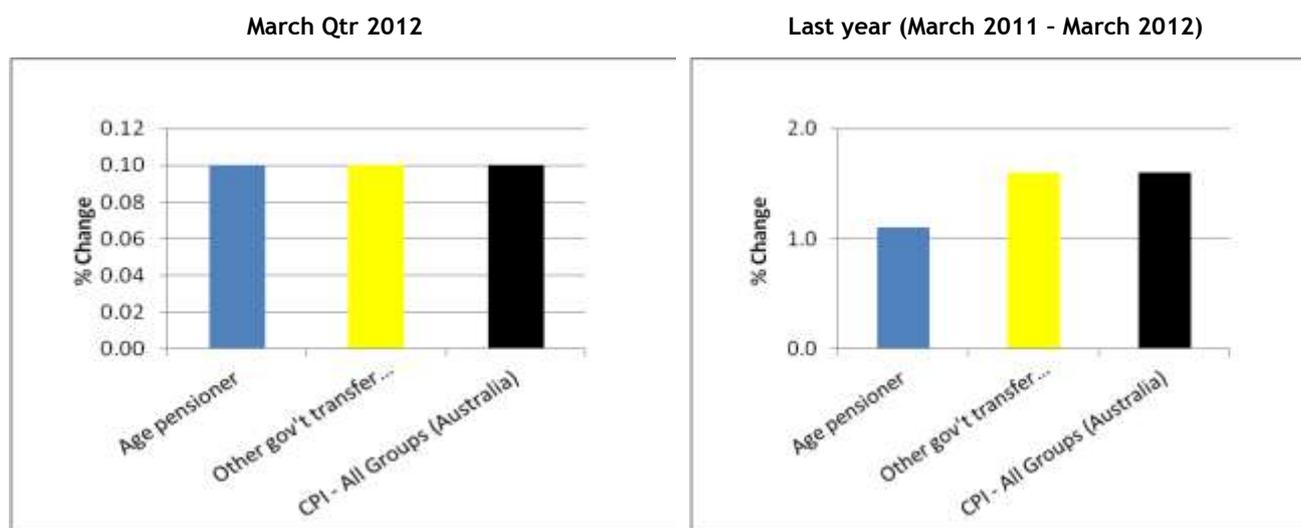
## Prices

In the March 2012 quarter, the cost of living (as measured by the ALCI) for Aged Pensioners and Other Welfare Recipients rose by 0.1%, the same as both the national and Adelaide CPI. For Aged Pensioners the major drivers of cost of living increases were pharmaceuticals, electricity, medical and hospital services, and petrol – offset by falls in fruit, international travel and furniture. For Other Welfare Recipients, the major drivers of increases were pharmaceuticals, rents, tobacco and electricity – offset by falls in fruit, interest charges and furniture (ABS, 2012a).

Over the last year (March Qtr 2011 – March Qtr 2012), the ALCI for Aged Pensioners increased by 1.1% and for Other Welfare Recipient households by 1.6% (ABS, 2012a). By comparison, the CPI (All Groups) increased by 1.6% nationally and 1.8% for Adelaide (ABS, 2012c).

*In effect, cost of living pressures eased a bit in the last quarter largely due to falls in food (fruit and vegetable) prices, although medical costs and utilities remained major issues.*

Figure 1: Increases in ALCI and CPI March Qtr 2012



The above figures also do not account for local variations in prices. Table 1 compares price changes of a number of basic necessities in Adelaide with the national changes in the last quarter.

Table 1: Cost of Living Changes March Qtr 2012 by expenditure type

Cost of Living Area	Adelaide CPI Qtr change - %	National CPI Qtr change - %
Food	-2.3	-2.1
Housing	1.2	0.6
• Rent	0.6	1.0
Utilities	4.6	2.1
• Electricity	8.4	3.0
• Water	0.0	0.7
Health	3.2	4.4
Transport	0.7	1.1
<b>CPI All Groups</b>	<b>-0.1</b>	<b>0.1</b>

(Source: ABS, 2012c)

Overall, the trends in South Australia were largely similar to those seen at the national level, with food prices continuing to fall as fruit and vegetable production recovers from 2011's natural disasters. Electricity prices continue to hike at a significantly faster rate in South Australia than the national average, while health prices also rose sharply – albeit less than the national increases.

Most of the Adelaide price increases for these basic necessities are higher than the overall CPI, which bodes badly for those whose income is fixed to CPI. According to the last *Household Expenditure Survey*, housing, utilities and transport accounted for approximately 38% of expenditure for households in the lowest income quintile (ABS, 2011c, Table 3), so prices of basic necessities which constitute over a third of the weekly budget again went up by more than the inflation rate (with the main relief being decreases in food prices which constitute 15% of CPI). However, the rising prices of such a large proportion of weekly expenditure suggest that for many low income households, cost of living pressures remain very real despite the low overall inflation rate.

### **Income**

Given that welfare recipients have very low incomes, it is unlikely that any or any significant amount of the weekly benefit can be saved – at least for those not able to supplement their government transfer with other incomes. For someone on the base level of benefits, and assuming that they spend all their income, SACOSS calculates that the dollar value changes in cost of living is as shown in Table 2.

**Table 2: Cost of Living Change March Qtr 2010 - March Qtr 2011**

	<b>Base Rate Benefit per week (31 March 2011)</b>	<b>ALCI Change</b>	<b>\$ Amount per week</b>
<b>Aged Pensioner</b>	\$335.45	1.1%	\$3.69
<b>Newstart with two children (Other Welfare Recipient)</b>	\$256.40	1.6%	\$3.80

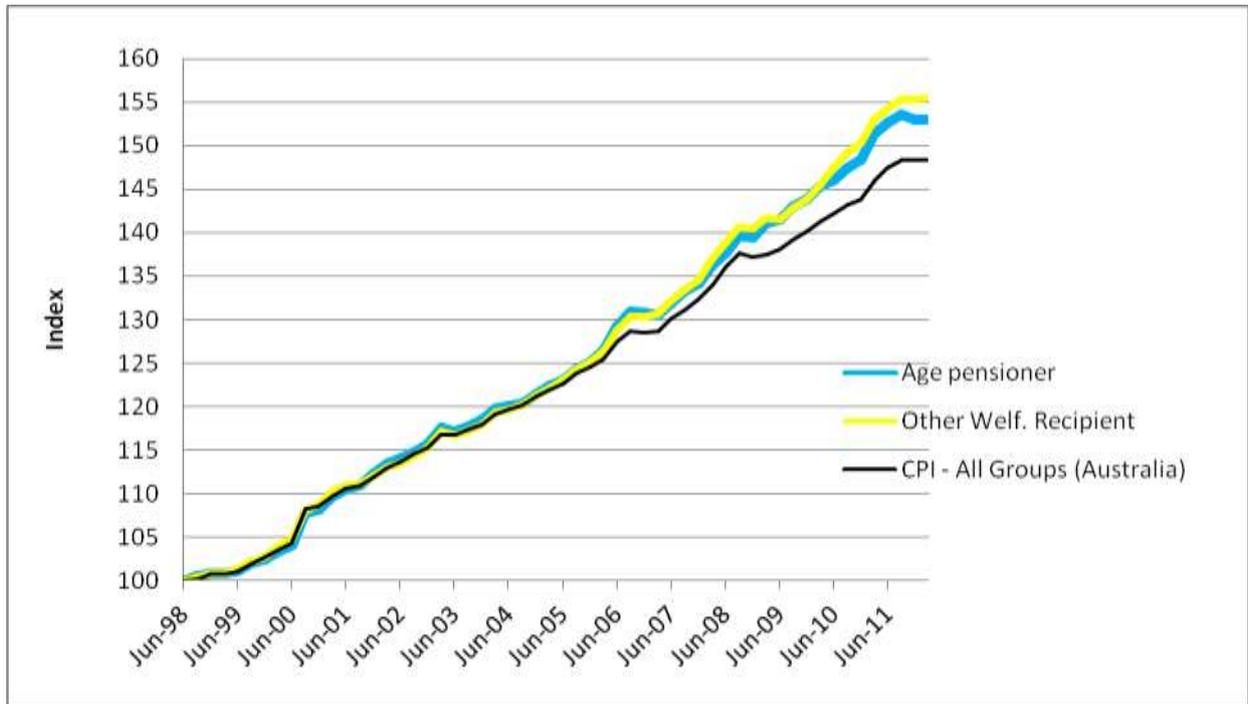
(Source: Centrelink, 2011; ABS, 2012a)

That is to say, for those whose only source of income is a base-rate government benefit and who spend all their income, the cost of living over the last year increased by \$3.69 a week for pensioners, and about \$3.80 for other welfare recipients. By comparison, the base rate pension rose by \$12.20 in the same period, while Newstart rose by \$8.50 (Centrelink, 2011, 2012). The relief provided here by “greater than cost of living” payment increases are due to the time lag where indexation adjustment reflects the higher CPI from previous quarters. While this relief is welcome, it is not absolute – it is a partial catch-up on previous losses against inflation.

### Longer-term trends

Previous SACOSS *Cost of Living Updates* have noted a trend where the cost of living for welfare recipients had been rising faster than CPI since 2006. Over the last six months this trend has eased (as evident by the parallel lines in Figure 2), but cost of living for welfare recipients and pensioners is still higher than CPI over the whole period covered by the ALCI.

Figure 2: ALCI & CPI Indexes



Again, this difference is particularly important where income support payments like Newstart and Youth Allowance are tied to CPI. Despite the relief in the March Quarter, the long term trend is still that prices are going up faster than incomes.

## NATSEM Data

The cost of living concerns in this *Update* appear contrary to the important recent analysis from the National Centre for Social and Economic Modelling (NATSEM). Their report suggests that cost of living pressures are exaggerated or misunderstood in the sense that the pressures are less to do with actual price increases and much more about changing expenditure habits, lifestyles and expectations. The NATSEM report does not deny the legitimacy or reality of these pressures, but their analysis shows that price increases in some areas (including necessities) are more than balanced by decreases in other areas and by increases in income. Overall, the average family is ahead of the 1984 base year by \$224 per week (NATSEM, 2012).

Importantly, NATSEM argues that these trends are evident across all income levels and household types, including government beneficiaries. Their evidence (based on ABS *Household Expenditure Surveys*) shows that expenditure of low income households on necessities has barely changed as a proportion of income since 1998, and they calculate that government beneficiaries were \$69 a week better-off at the 2009-10 survey point than at the previous survey six years earlier (NATSEM, 2012, p. 13, 21).

The NATSEM report carries a wealth of data and is disaggregated by a range of household types that makes it an even more nuanced and useful analysis than the ABS' ALCI report. However, there are several reasons why it is still right to be concerned about cost of living pressures, particularly on low income and disadvantaged households.

Despite the nuanced categories in the NATSEM report, there are still data and averaging issues that may serve to hide the experience of the lowest income earners. These include:

- The 2009-10 *Household Expenditure Survey* data, which is used, pre-dates some significant and disproportionate rises in electricity and water prices that may impact on spending patterns.
- The data does not account for the amount of work done to secure income. Given that since 1984 working hours have increased (through greater workforce participation and longer working hours), people may rightly feel cost of living pressures as they work longer to remain in one place - or don't see much return for their extra work. (See further discussion in Explanatory Note 3 in the Appendix here).
- There remain important distinctions *within* the categories utilised by NATSEM, most notably in the government beneficiaries category:
  - Between those households who are solely reliant on government income support, and those that can supplement it with other income; and
  - Between Aged and Disability pensioners, whose base rate is higher and better indexed than other welfare recipients. Given that pensioners are by far the greatest number of government beneficiaries, the experience of those who are on the CPI-pegged allowances may be hidden in the broader category.

As noted in Explanatory Note 2 in the Appendix here, these issues are inherent in the baseline ABS data, and in any study there are always data choices and limitations. In making these choices, SACOSS's starting point of looking at the impact on vulnerable and disadvantaged South Australians is necessarily different from NATSEM's mandate. However, NATSEM's data on low income households is useful, particularly when combined with their acknowledgement that cost of living pressures are not simply about absolute prices, but can also be relative to both cultural expectations and to the position of others in the community. These relative pressures can be seen in Table 3 of the NATSEM report which shows income gains for different groups after cost of living changes are taken into account. A portion of that table is reproduced in Tables 3 and 4 below.

**Table 3: Recent Gains by Household Type, 2003-04 to 2009-10**

Household Type by source of income	\$pw gain	% gain
Wages & salary earner	\$228	15.9%
Business	\$208	19.1%
Government benefits	\$ 69	13.7%
Other	\$426	4.41%

The figures in Table 3 show that the amount by which government beneficiaries have gained over the last six years of analysis is less than other household types. The same is true for the lowest income group based on income quintiles, as shown in Table 4.

**Table 4: Recent Gains by Income Quintile**

Household Type by quintile	\$pw gain	% gain
Q 1 (low)	\$ 42	10.7%
Q 2	\$105	14.7%
Q 3	\$153	14.2%
Q 4	\$250	17.8%
Q 5 (highest)	\$576	27.4%

In practice, what the data in Tables 3 and 4 mean is that, even based on average household income figures where the lowest income households are doing better than they were in an absolute sense, they are still falling behind the rest of population. At a minimum, these groups are suffering from relative cost of living pressures. But below the average figures, there are those whose incomes are not indexed or are indexed to CPI rather than reflecting growth in household income. These households are going backward in both an absolute and relative sense. For these people, the cost of living pressures (including both price pressures and the increased expectancies created by others' increased standards of living) are significant, stressful and need to be addressed.

## SECTION 2: Transport Prices

### *The Importance of Household Expenditure on Transport*

Transport is a basic necessity in a modern society because it is crucial for accessing vital services and allowing full participation in community life. Transport is required to get to jobs, education and health care, to get access to shops and services, and to maintain access to family, friends and the community. However, unlike many of the other cost of living areas, price is not necessarily the major issue in relation to transport, even for low income households.

**Affordability** is only one of the key requirements of a transport system – the others being:

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

If it is simply not easy or possible to get around on transport (public or private), then transport prices won't be much of an issue. However, affordability is still important as transport is a significant household expenditure. According to the ABS 2009-10 *Household Expenditure Survey* (HES) transport is the third biggest expenditure item for South Australian households, accounting for approximately 14.8% of average household expenditure. Only housing (17.4% of expenditure) and food (17.2%) are greater expenses for most households (ABS, 2011c). The national figures for transport expenditure are broadly similar, although the absolute expenditure in South Australia is significantly less than the national average. However, South Australian incomes are also below national averages and as Table 5 shows, the breakdown of transport spending as a proportion of South Australian household expenditure is very close to the national averages in all categories of transport expenditure.

Table 5: National and SA Transport Expenditure

	AUSTRALIA		STH AUSTRALIA		Adelaide
	Av Weekly Expend \$	% of H/hold Expend	Av Weekly Expend \$	% of H/hold Expend	Av Weekly Expend \$
All Transport	192.87	15.6	154.43	14.8	165.28
Motor Vehicle Purchase	47.18	3.8	35.76	3.4	39.54
Vehicle fuel	51.02	4.1	43.65	4.2	43.37
Vehicle Rego & Insurance	28.57	2.3	27.69	2.6	29.38
Vehicle Parts & Accessories	10.48	0.8	7.54	0.7	7.72
Vehicle Charges	42.39	3.4	31.18	3.0	35.09
Public Transport Fares	4.95	0.4	2.92	0.3	3.87
Taxi Fares	2.29	0.2	1.40	0.1	1.61

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

Transport costs are also a particular issue for people in rural and remote areas as the distances needing to be travelled are often much greater. Interestingly though, Adelaide households spend more on transport than non-metropolitan households. This is evident in the final column in Figure 3 which shows that Adelaide expenditure is higher than the state-wide figures that include the non-metro areas. That said, the profile of expenditure is somewhat different with, for instance, fuel costs being higher and public transport expenditure being less in the whole-of-state figures than in Adelaide. Given the distances involved in regional, rural and remote areas and the lack of public transport, this should not be surprising, but it does suggest that there may be significant

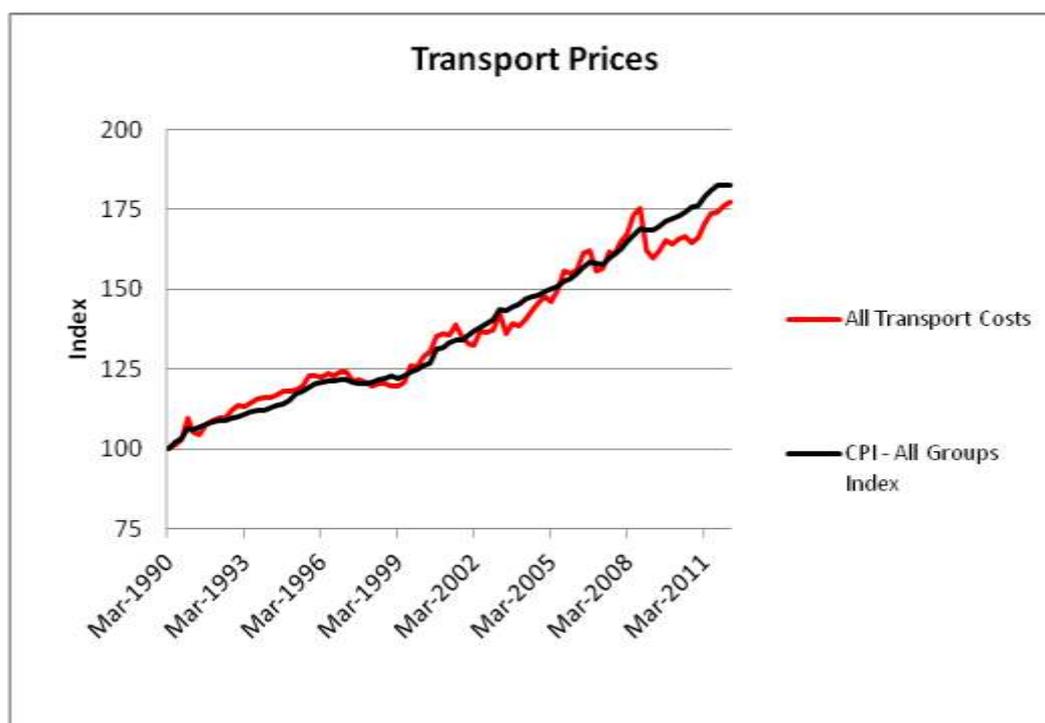
differences for metro and non-metro households in relation to transport. However, it should be noted that because CPI figures are only collected in capital cities, the data is not very helpful for considering transport cost of living pressures outside of the city.

Another major difference between transport expenditure and expenditures on other basic necessities is that transport makes up proportionately less of the expenditure of low income South Australian households than of higher income households: 12.6% of expenditure for the lowest income quintile up to 17% for the highest quintile. In real money, the expenditure is very different with high income households spending nearly 6 times more on average than that of the lowest income quintile: \$340 per week by comparison with \$58 per week (ABS, 2011c, Table 3). Clearly, people in higher income households are either travelling more or using more expensive means of transport (eg. more expensive cars), or both. However, as we will see below, the impacts of transport price rises do not necessarily follow the same spread as some price rises impact more on low income households.

### **Summary of Transport Price Movements**

CPI for all transport prices in Adelaide over the last year rose by 3.8%, well above the 1.8% increase in CPI for all goods (ABS, 2012c). Figure 4 shows the relative price changes since 1990.

Figure 3: Transport Prices and CPI - South Australia

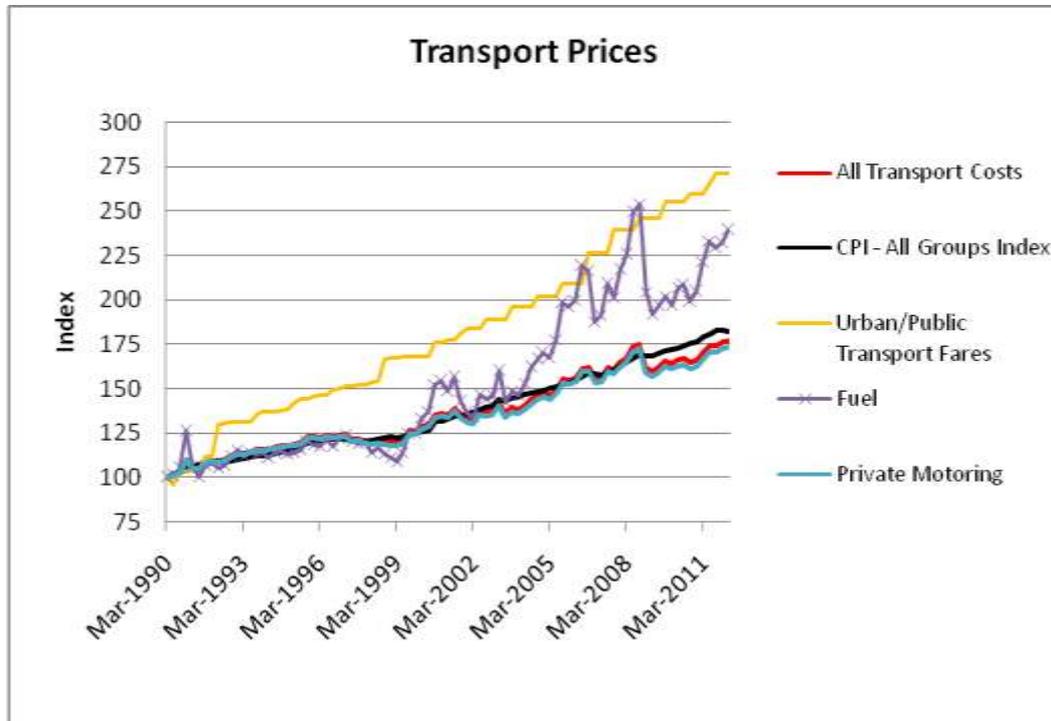


As is evident in the graph, transport prices have been more volatile than the generic CPI measure, but the trend has been largely the same. In fact, despite steeper transport price rises over the last year, over the whole period since 1990 the transport price index is about 3% lower than the generic CPI. This should be good news for low income earners whose income is pegged to CPI as it suggests that transport is not getting relatively more expensive and is therefore not a particular driver of cost of living pressures. However, when we look at the disaggregated transport figures, a different picture emerges.

## Disaggregated Transport Prices

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

Figure 4: Disaggregated Adelaide Transport Prices



What is clear from this graph is that two components of the broad transport category have gone up much more than CPI over the period – fuel and urban transport fares. While fuel has gone up, the overall costs of private motoring have remained broadly in line with CPI. As we will see below, this is because the purchase price of vehicles and parts has gone down or the rate of increase has at least been significantly lower than the generic CPI. *One significant outcome of this is that transport cost of living pressures impact more the more you actually use transport* (because the one-off costs (vehicle purchase) are getting cheaper, while the costs related to usage (ie. fuel and fares) are getting more expensive).

### Urban Transport (Public Transport) Fares

Urban transport fares in Adelaide have increased significantly above CPI, which may be surprising in that most public transport fares rise annually based on the government index, which is not that dissimilar to CPI. This is explained in part by the fact that about one-third of the expenditure covered in the Urban Transport Fares category is taxi fares – which are not regulated by the government indexing of suburban train and bus fares.

It should also be noted that the average weekly expenditure on urban transport is only 4% of the amount spent on private motoring expenditure (calculation based on ABS, 2011d. See also Table 5 above), meaning that the CPI Urban Transport Fares category has very limited weight in the overall CPI transport price index. However, the CPI average figures underestimate the expenditure on public transport for many households because not all households use public transport. The figures are therefore averaged out over all households regardless of whether they use public transport and taxis. For instance, if only half of all households use public transport regularly, then the overall average expenditure figures would be half of the actual average expenditure of those households that use public transport.

Urban transport fare rises are also important because of the different access and social participation issues that arise. Table 6 shows the weekly expenditure on public transport by different household types. Again, low income households spend less on public transport than the highest income households, both absolutely and as a proportion of income, but there are some important differences among low income households. Welfare recipients spend, on average, less than other low income households on public transport. This could be either, or a combination of, less use of public transport by welfare recipients (as low income wage earners may still commute to work regularly) and the impact of the value of concessions offered to many welfare recipients which reduce ticket prices for each journey. These same factors may underlie the fact that those on unemployment and study payments spend nearly twice as much on public transport as those on disability and carer payments and more than three times the expenditure of aged pensioners.

The greater expenditure of those on Newstart and Youth Allowances is significant because those payments are much lower than the Aged and Disability Pension, suggesting that *increasing public transport prices will impact proportionately more on the unemployed and students than any other low income group. For this reason, SACOSS has called for free off-peak public transport.* This would disproportionately benefit those on the lowest income support payments and it would relieve transport cost of living pressures for those who need to go to education, training, job interviews, doctors, shops or to maintain social and family connections in the middle of the day (SACOSS, 2012).

**Table 6: Public Transport Expenditure by Household Type, Australia**

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

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

Taxi fares tell a similar story in that welfare recipients spend less on taxis (both absolutely and as a proportion of household expenditure) than other low income households – as evident in Table 7 below.

**Table 7: Expenditure on Taxis by Household Type, Australia**

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

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

The expenditure on taxi fares is particularly low for those on unemployment and study payments as well as those on family support benefits. Presumably this is because the cost of taxi travel makes them unaffordable to many welfare recipients and they simply do not use them. However, the exception among welfare recipients is the significantly higher expenditure on taxis by those in the disability pension and carers category, and to a lesser extent also by those on aged pension – in short, those with greater mobility challenges. This is a critique of the accessibility of trams, trains and buses for those with a disability and mobility challenges who are forced to use more expensive means of public transport. It also suggests that the government subsidies available for taxi travel for those with disabilities are not fully off-setting the cost of taxi travel. The South Australian Transport Subsidy Scheme (SATSS) provides those with permanent and severe disabilities a 50% subsidy on taxi fares for those able to walk, and a 75% subsidy for those confined to a wheelchair. The subsidy is for 80 trips in a six month period, and is limited to the first \$40 of a trip for those with a 50% subsidy, or the first \$30 for those with a 75% subsidy. These caps are not indexed (and have not increased since December 2006) which means that as taxi fares have risen, the value of the SATSS has been progressively eroded.

In short, what these cost of living figures show is that the *increasing taxi fares (evident in the CPI Urban Transport Fares graph in Figure 5 above)* will impact disproportionately on carers and those with a disability. It will also impact disproportionately on high income earners who spend more than twice the average household on taxis, but higher income earners have more transport options and can more easily afford the price increases. They are not reliant on dwindling subsidies to make the fares affordable.

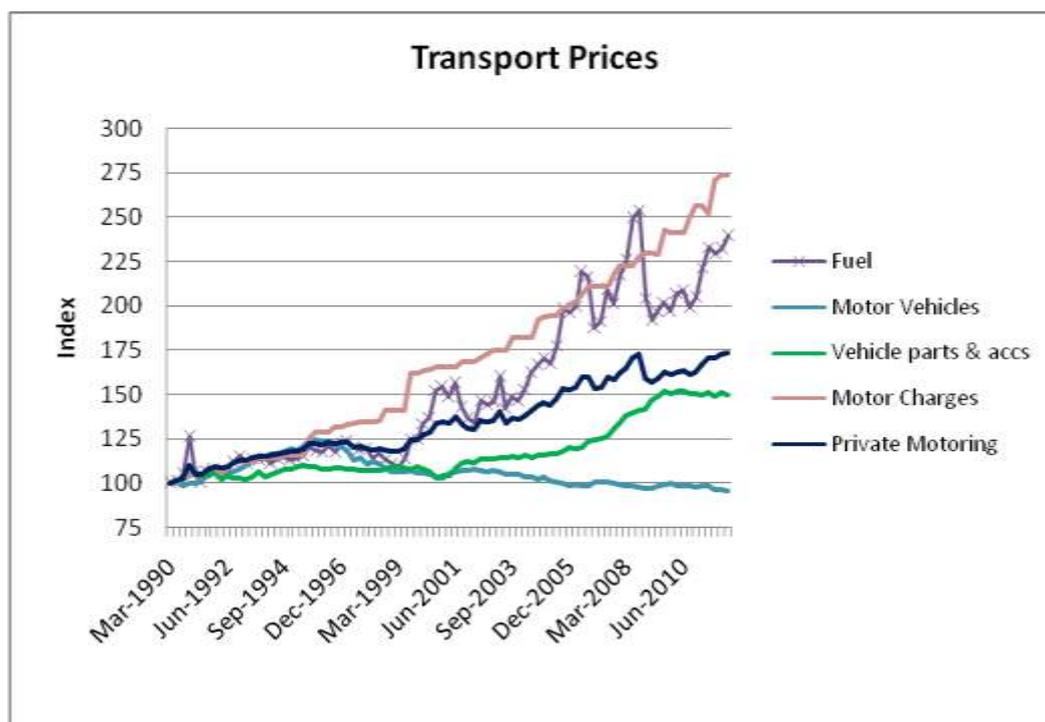
## **Private Motoring**

While public transport is important to give transport options and allow social participation, private motoring dominates household transport expenditure – accounting for approximately 95% of transport expenditure (ABS, 2011d).

Figure 5 shows the price movements of the constituent parts of the CPI private motoring category. Clearly both the price of fuel and of motor charges (including vehicle registration, drivers' licences, and parking fees) have gone up significantly more over the period than the category average (the private motoring line which, as evident in Figure 4, broadly aligns to CPI). By contrast, the price of vehicle parts and accessories has increased less than the generic CPI, while the price of purchase of motor vehicles has actually dropped outright over the period. This is in part due to changes in technology and to the high Australian dollar which makes imported cars and parts cheaper.

These disaggregated figures suggest that if it were not for the decrease in vehicle purchase price, the price rises in other areas would mean that transport prices were increasing well above CPI and being a major living cost pressure. This is particularly significant because while owning/buying a car is often a necessity in this society, the choice of what sort of car to buy may be discretionary - hence if car prices were going up, a low income consumer could potentially buy a cheaper car. The 2009-10 *Household Expenditure Survey* in fact shows that low income households spend less on vehicle purchases than higher income households – both absolutely and as a proportion of household expenditure (ABS 2011b, Table 3A). However, the same “buying cheap” strategy is not available in relation to fuel or flat rate motoring charges like registration, parking fees and drivers' licences. Given that prices are increasing fastest in these categories, there is a sense that these price rises impact more on low income households.

Figure 5: CPI - Private Motoring Prices, Adelaide



A more detailed look at fuel expenditure reveals further differential impacts on different household types, as evident in Table 8.

Table 8: Expenditure on Fuel by Household Type, Australia

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

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

The proportion of household expenditure which goes to fuel is fairly standard across all categories, but it is notable that welfare recipient households spend more on fuel than other low income households – both absolutely and as a proportion of their total expenditure. And within the welfare recipient category, *those whose major source of income is unemployment benefits and study payments spend a greater proportion of their income on fuel than other households, and spend more absolutely than most other low income households* – again, despite the fact that their benefit levels are significantly lower than other government income support payments. Thus, those on Newstart and Youth Allowance would be particularly impacted by fuel price rises, both because of their small incomes and the amount they spend on fuel each week.

## Summary of Disaggregated Transport Price Increases

When all the disaggregated data is taken into consideration, it is clear that some transport prices have gone up way above the generic inflation, while others have gone up less or even decreased. Table 9 provides the figures which show these price movements and also their relative weight in the average South Australian household expenditure. Over the last ten years, fuel prices have shown the biggest price increase (more than double the summary level transport CPI), followed by motor transport charges which were almost double the summary level figure. Maintenance and repairs tracked relatively closely to CPI and have not been focused on in this *Update*, while parts and accessories have tracked with CPI over the last ten years (in part courtesy of a flat line since December 2009), although as is evident from Figure 5, the previous ten years had seen parts and accessories' prices rising well below the generic inflation rate. And again, motor vehicle purchase prices have actually gone down over the last ten years – by more than 11% in money terms, which translates into significant decreases in real prices once inflation and growing income is taken into account.

Table 9: Price changes and relative importance of different transport prices, Adelaide

CPI Expenditure Category	% of transport expenditure	Price change last year (March 2011 - March 2012) (% increase)	Price change since 2002 (% increase)
Private Motoring	95.5	3.8	33.1
• Motor Vehicles	27.6	-2.7	-11.4
• Parts & accessories	7.9	0.2	34.1
• Fuel	30.8	8.0	78.2
• Maintenance & Repair	16.0	4.7	32.4
• Charges	13.5	6.9	62.9
Urban Transport Fares	4%	4.2	47.6
<b>All Transport</b>	<b>100</b>	<b>3.8</b>	<b>33.8</b>

Source: Derived from ABS (2011d, Table 2) and ABS (2012c) .

While the different level of price rises within the transport category balances out in the summary level CPI transport data and makes it roughly equal to the generic CPI, we have seen that the impacts of these different transport price rises are not felt evenly across the community. Those who use transport more are likely to be hit hardest (because fuel and urban transport fares have gone up faster than CPI). Aspects of the various price increases have also had a disproportionate impact on some low income households because:

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

## Conclusion

As noted at the beginning of this section, price is not the only issue in relation to accessibility of transport for low income households, and transport prices are not a major driver of cost of living pressures. However, a detailed look at transport prices does show that there are still areas of

concern with rising transport prices still contributing to cost of living pressures in particular low income households. These pockets of transport disadvantage could be addressed directly through initiatives like free off-peak public transport, and by increasing and indexing the SATTs caps on subsidies. Rising fuel prices are more difficult to deal with in government policy, but given that fuel prices disproportionately impact on those on Newstart, there is a further reason to increase the base level payment which, at just \$35 a day is simply not enough to live on.

# APPENDIX: Explanatory Notes

## 1. CPI and ALCI

The ALCI uses a different methodology to the CPI in that the CPI is based on acquisition (i.e. the price at the time of acquisition of a product) while the ALCI is based on actual expenditure. This is particularly relevant in relation to housing costs where CPI traces changes in house prices, while the ALCI traces changes in the amount expended each week on housing (e.g. mortgage repayments). Further information is available in the Explanatory Notes to the ALCI (ABS, 2012b).

In that sense, the ALCI is not a simple disaggregation of CPI and the two are not strictly comparable. However, the differences do not matter for the way the indexes are used in this report. Both are used to measure changes in the cost of living over time (although that is not what CPI was designed to do), and given the general usage of the CPI measure and its powerful political and economic status, it is useful to compare the two to highlight the differences for different household types.

## 2. Limitations of the ALCI Data

The ALCI is more nuanced than the generic CPI in that it measures changes for different household types, but there are still a number of problems with using the ALCI to show cost of living changes faced by the most vulnerable and disadvantaged in South Australia. While it is safe to assume that welfare recipients are among the most vulnerable and disadvantaged, any household-based data for multi-person households says nothing about distribution of power, money and expenditure within a household and may therefore hide particular (and often gendered) structures of vulnerability and disadvantage. Further, the ALCI figures are not state-based, so any particular South Australian trends or circumstances may not show up.

At the more technical level, the ALCI figures are for households whose predominant income is from the described source (e.g. aged pension or government transfers). However, the expenditures that formed the base data and weighting (from the 2009-10 Household Expenditure Survey) (ABS, 2011d) add up to well over the actual welfare payments available (even including other government payments like rent assistance, utilities allowance and family tax benefits). Clearly many households in these categories have other sources of income, or more than one welfare recipient in the same household. Like the CPI, the ALCI figures reflect broad averages (even if more nuanced), but do not reflect the experience of the poorest in those categories.

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

The weightings in the ALCI are also based on a set point in time (currently from the 2009-10 Household Expenditure Survey) and can't be changed until the next Household Expenditure Survey. In the meantime, the price of some necessities may increase rapidly, forcing people to change expenditure patterns to cover the increased cost. Alternatively or additionally, expenditure patterns may change for a variety of other reasons. However, the ALCI weighting does not change and so does not track the expenditure substitutions and the impact that has on cost of living and lifestyle.

Finally, the ALCI household income figures are based on households that are the average size for that household type: 1.57 people for the aged pensioners, and 2.4 for the other welfare recipients

(ABS, 2012b). This makes comparison with allowances difficult. This *Update* focuses on single person households or a single person with two children (to align to the other welfare recipient household average of 2.4 persons). However, this is a proxy rather than statistical correlation.

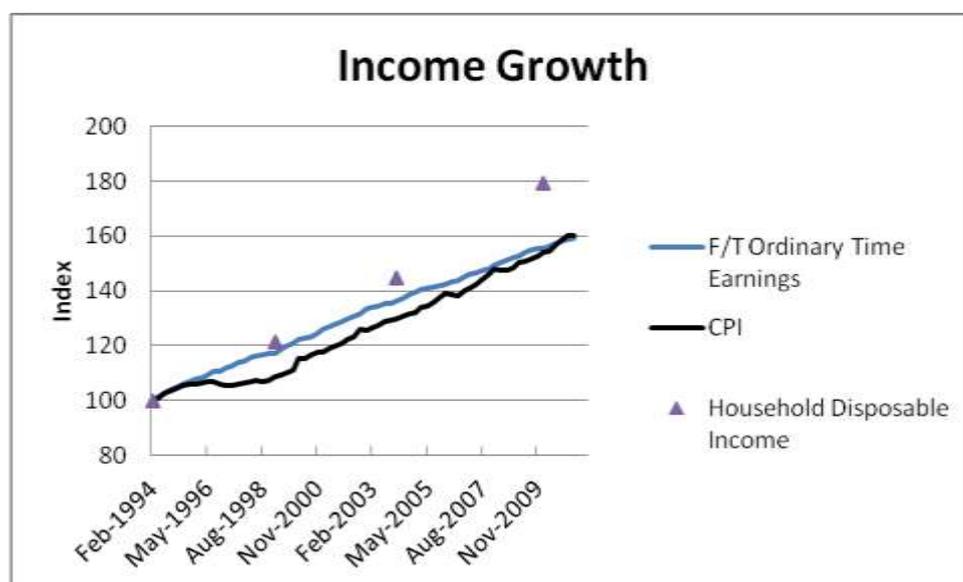
It is inevitable that any summary measure will have limitations, and as noted in the main text, the ALCI does provide a robust statistical base, a long time series, and quarterly tracking of changes in the cost of living which is somewhat sensitive to low income earners.

### 3. Household Income and Increased Work Hours

The ABS data in the *Household Expenditure Survey* and the national accounts, which NATSEM utilises in its analysis, shows that *household* disposable income has increased over time. However, these figures do not take account of the amount of work going into producing that income. With increasing workforce participation by women leading to more two-income families, and with average working hours increasing for much of the period, some of the increases in household disposable income may be simply based on increased working hours. This increase in paid work itself requires extra expenditures in work related expenses (eg. extra transport and clothing requirements) and is often associated with “outsourcing” work previously done as non-market production in the household (eg. childcare, eating out more often). This shows up as increased income, but it does not translate directly into increased standard of living. Among other things, this would require an analysis of total market and non-market household production/income to see if this total was actually increasing (notwithstanding that there may be qualitative differences in living standards derived from market or non-market production).

The extent of the impact of changes in paid work patterns on household income can be seen by comparing the growth in household income (in the *HES*) and average wages for full-time workers. As evident in Figure 3, these wage figures have not grown at nearly the same rate as household income (as shown by the triangles at *HES* points).

Figure 6: Household Income, Wages and CPI Growth, Australia



(Source: Adapted from ABS 2011a, ABS 2012d)

The effect of this difference is that, while household incomes may be increasing and covering cost of living price rises, much of this is from working longer so it is not surprising that many households – even in the middle income quintiles – feel cost of living pressures as they work longer to remain in one place. A future SACOSS *Cost of Living Update* will look at this issue more closely, but it is clear that the argument around increasing household income outstripping increased prices is more complicated than it initially appears.

## Sources

ABS (2011a), *65300DO001 Household Expenditure Survey, Australia: Summary of Results, Australia*, Table 3, Australian Bureau of Statistics, Canberra.

ABS (2011b), *6535.0.55.001 Household Expenditure Survey, Australia: Detailed Expenditure Items, 2009-10*, Australian Bureau of Statistics, Canberra.

ABS (2011c), *65300DO001 Household Expenditure Survey, Australia: Summary of Results, South Australia*, Australian Bureau of Statistics, Canberra.

ABS (2011d), *6471.0 Consumer Price Index 16<sup>th</sup> Series Weighting Pattern, 2011*, Australian Bureau of Statistics, Canberra.

ABS (2012a), *6463.0 Analytical Living Cost Indexes for Selected Australian Household Types, March 2012*. Australian Bureau of Statistics, Canberra.

ABS (2012b), *6463.0 Analytical Living Cost Indexes for Selected Australian Household Types, Sep 2010: Explanatory Notes*. Australian Bureau of Statistics, Canberra.

ABS (2012c), *6401.0 - Consumer Price Index, Australia, Dec 2011*. Australian Bureau of Statistics, Canberra.

ABS (2012d), *6302.0 - Average Weekly Earnings, Australia*, Australian Bureau of Statistics, Canberra.

Centrelink (2011, 2012), *A Guide to Australian Government Payments*, released quarterly. Australian Government, Canberra.

National Centre for Social and Economic Modelling (NATSEM, 2012), *Prices These Days – The Cost of Living in Australia, AMP-NATSEM Income and Wealth Report*, No. 31, AMP-NATSEM, Sydney.

SACOSS (2012), *SACOSS State Budget Submission 2012-13*, South Australian Council of Social Service, Adelaide.