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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' Selected Living Cost Indexes (ABS, 2018a) and Consumer Price Index (ABS, 2018c) to show key changes in the cost of living in the last quarter and over the last 12 months.

As a summary measure, the Selected Living Cost Indexes are preferred over the better known Consumer Price Index (CPI) because the CPI is technically not a cost of living measure. It tracks changes in the price of a specific basket of goods, but this basket includes goods and services that are not part of the expenditure of all households, and poor households in particular. When considering the cost of living, 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 less relevant. 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 Selected Living Cost Indexes use a different methodology to CPI (see Appendix: Explanatory Note 1) and they disaggregate expenditure into a number of different household types (ABS, 2018b), although this *Cost of Living Update* focuses on the "Aged Pension" and "Other government transfer recipients" (hereafter "other social security recipients") figures, as these are likely to represent the more disadvantaged households. While the Selected Living Cost Indexes also have limitations in tracking cost of living changes for these groups (see Explanatory Note 2), they do provide a robust statistical base, a long time series, and quarterly tracking of changes – all of which is useful data for analysis. This report also adds to the Selected Living Cost Indexes by putting a dollar value on the changes, and by using disaggregated CPI data to summarise changes in prices of key items.

SACOSS *Cost of Living Updates* sometimes also contain a second section with 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* utilises the long-awaited ABS 2015-16 *Household Expenditure Survey* to look at telecommunication costs both nationally and in South Australia.

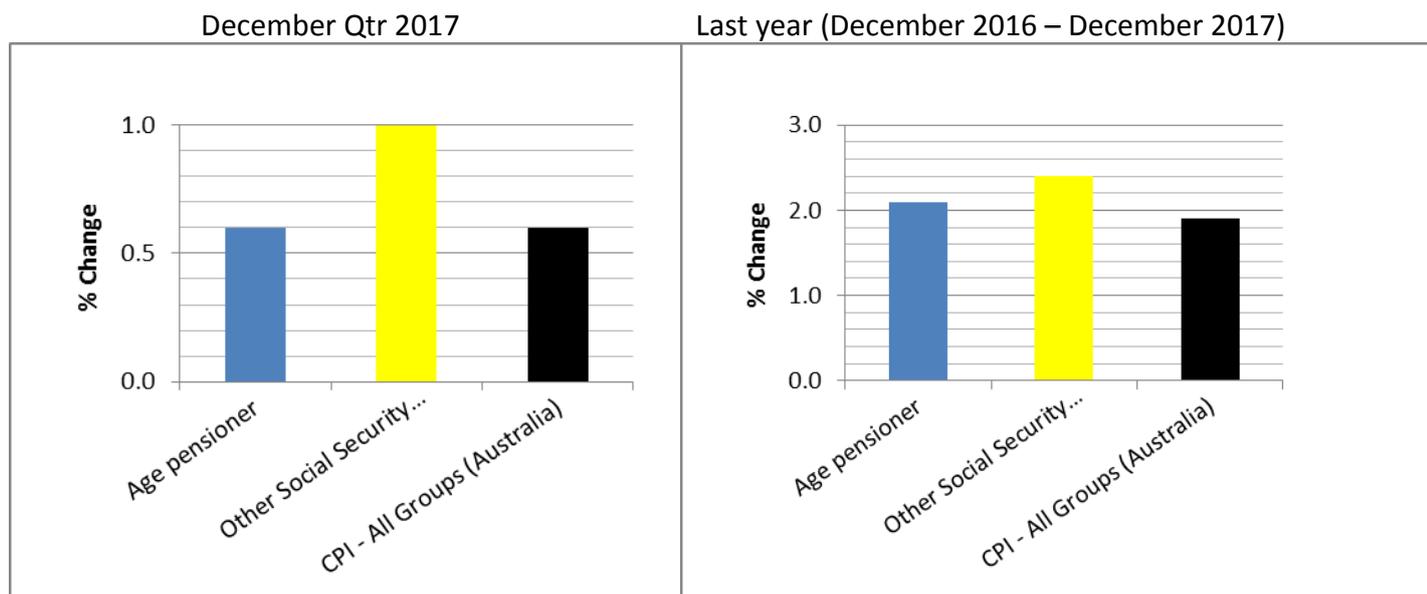
SECTION 1: December Quarter 2017 Cost of Living Changes Prices

In the December 2017 quarter, the cost of living (as measured by the ABS Selected Living Cost Indexes) for age pensioners rose by 0.6%, while for other social security recipients the cost of living rose by 1.0%. CPI in the same period rose by 0.6% nationally and 0.7% in Adelaide (ABS, 2018a; ABS, 2018c).

The main contributors to the cost of living rise in the last quarter for pensioners was transport (based on petrol price rises) and food, while for other social security recipients transport and tobacco were the major contributors to the living cost index rise (with tobacco rises due to the flow through of the federal tobacco excise tax rise on 1 September). These increases were partly offset by decreases in health prices due to the cyclical impact of more people going over the expenditure threshold and receiving subsidies under the Pharmaceutical Benefits Scheme.

Over the last year (December Qtr 2016 – December Qtr 2017), the living cost indexes for age pensioners rose by 2.1% and for other social security recipients by 2.4%, by comparison to the generic CPI rise of 2.3 % in Adelaide and 1.9% nationally (ABS, 2018a, 2018c).

Figure 1: Increases in Living Costs December Qtr 2018



These overall figures can be disaggregated to track changes in the price of key basic goods and services in the last quarter both in Adelaide and nationally. These are shown in Table 1 over the page, where the big last quarter rises in utilities prices, and electricity prices in particular, can be seen. The rise in Adelaide electricity and gas prices was clearly well above the national average and flowed through to the unusual bottom line of Adelaide CPI being significantly above the national figure for the last quarter.

Table 1: Cost of Living Changes December Qtr 2018 by Expenditure Type

	Adelaide CPI December Qtr change %	National CPI December Qtr change %	Adelaide CPI December 2016- December 2017 %	National CPI December 2016- December 2017 %
Food	0.7	1.0	-0.9	-0.2
Fruit and Vegetables	2.9	5.1	-7.6	-4.7
Housing	0.3	0.3	5.2	3.4
Rent	0.0	0.3	0.2	0.7
Utilities	0.0	0.1	15.9	9.2
• Electricity	0.1	0.9	24.4	12.4
• Water	0.0	0.0	2.6	3.2
• Gas	-0.3	-1.7	8.1	7.8
Health	-0.5	-0.5	4.5	4.0
Transport	2.6	2.4	4.3	3.3
CPI All Groups	0.7	0.6	2.3	1.9

(Source: ABS, 2018c)

Incomes

Given that social security recipients have very low incomes, it is unlikely that any significant amount of the weekly benefit can be saved – at least for those not able to supplement their government payments with other incomes. For someone on the base level of benefits (with no rent assistance), 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 Changes December Qtr 2016 – December Qtr 2017

	Base Allowance + Supplements (31 Dec 16)	Selected Living Cost Index Change	Living Cost Change per week	Base Allowance + Supplements (31 Dec 17)	Change in Rates of Same Benefits	Net Result \$pw
Age Pensioner (Single)	\$438.55	2.1%	\$9.21	\$447.20	\$8.65	-\$0.56
Newstart with two FTB children	\$558.47	2.4%	\$13.40	\$563.92	\$5.45	-\$7.95

(Source: Calculated from data in Centrelink, 2016, 2017; ABS, 2018a.
For details of calculation, see Explanatory Note 3 in the Appendix here)

That is to say, for those whose only source of income is a base-rate Age Pension (with the Energy Supplement) and who spend all their income, the cost of living over the last year increased by \$9.21 per week, while their income rose by \$8.65 – so they are \$0.56 worse off than a year ago. However, for a single person on the base rate of Newstart with two children the situation is much worse. Their cost of living last year went up by \$13.40 per week while their income increased by only \$5.45, leaving them \$7.95 a week worse off.

SECTION 2: Telecommunication Costs

Telecommunications are one of three essential utilities alongside water and energy (electricity and gas). Previous SACOSS *Cost of Living Updates* have identified that (as with water and energy) household expenditure on telecommunications is essential, significant and regressive (SACOSS, 2013, 2015). This *Update* utilises the same framework, but updates previous data with figures from the recently released ABS *2015-16 Household Expenditure Survey* data and supplements it with data from the most recent *Australian Digital Inclusion Index (ADII)* (Thomas et al, 2017). It is the first SACOSS *Update* to combine these two data-sets into a single cost of living framework.

Essential

Telecommunications are essential because they enable crucial communication with family and emergency services, but they are also increasingly required for online access to education, employment, government services, banking, shopping and entertainment. While consumers may also use telecommunications and internet connection for a range of other recreational and discretionary activities, they are clearly essential in dealing with these basic economic and commercial activities.

This is as true for those on low incomes as for others in the community. The low income telecommunications consumers in a 2016 SACOSS survey reported that they used the internet for a range of essential activities, including looking for employment (83%), looking for housing (71%), accessing government services (68%), accessing other services (such as banking and medical) (61%) and completing education activities (59%) (Ogle & Musolino, 2016).

Access to affordable telecommunications is also important because it is a key factor in digital inclusion, which is defined in the *ADII* as the ability for all Australians to make full use of digital technologies. This is about more than simply owning a computer or smartphone. It is about social and economic participation in using online and digital technologies to “improve skills, enhance quality of life, educate, and promote wellbeing across the whole society” (Thomas et al, 2017).

Digital inclusion is a particularly important consideration in South Australia because South Australia performs relatively poorly in the *Australian Digital Inclusion Index (ADII)* which measures access, affordability and capability and usage of digital technologies. While the *ADII* has shown an improvement in digital inclusion over recent years, South Australia’s index score remains the second lowest of all state and territories (Thomas, 2017). This is a problem both for individuals South Australians at risk of being left behind in a digital age, but also to the broader community as it is an impediment to economic growth and community wellbeing (SACOSS, 2017a).

Significant

While telecommunications are an essential service, expenditure on telecommunications also has significant impact on household budgets – particularly for those on low incomes. Table 3 below shows the average household expenditure in South Australia on telecommunication equipment and services in the 2015-16 ABS *Household Expenditure Survey*. However, the equipment category used here goes beyond the *HES* phone equipment categorisation and includes home computer equipment and repair. This revised categorisation is used by the Australian Communications Consumer Action Network in their analysis of the ABS data because home computers are an essential part of the provision of telecommunication services and in an online world they play the

same role as the telephone handset did in an analogue world: both are the equipment to enable access to the network at home (Ogle, 2017).

Table 3: Average Household Telecommunication Expenditure, South Australia, 2015-16

Category	Average Weekly Expenditure \$ p.w.
Mobile Phone Purchase	2.09
Other Telephone equipment*	0.02
Home computer equipment	6.90
Computer & Equipment Repair and Maintenance	0.39
Total Telecommunication Equipment	9.40
Fixed Telephone Account	10.07
Mobile Telephone Account	15.50
Mobile Phone Charges (non-account)	2.77
Other Telephone & fax charges	1.58
Internet Charges (account)	6.77
Internet Charges (non-account)	0.55
Total Telecommunication Charges	37.22
TOTAL TELECOMMUNICATIONS EXPENDITURE	46.62
<i>% of Total Goods & Service Expenditure</i>	<i>3.9%</i>
<i>% of Household Disposable Income</i>	<i>3.2%</i>

* Includes telephone handset purchase, answering machines, modems (separately purchased), smart watches and other wearables. Source: ABS (2017a)

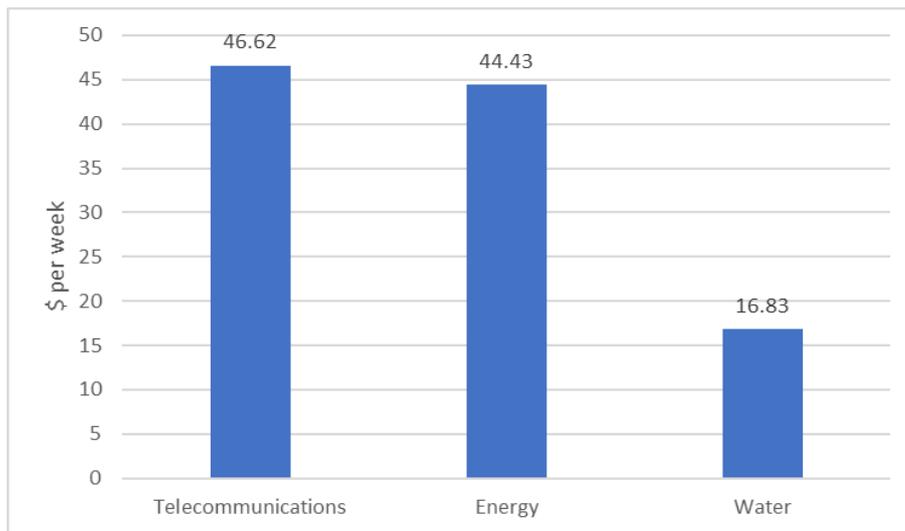
In today's money, this average telecommunications expenditure in South Australia would translate to \$48.21 per week.

While this weekly expenditure may not seem significant in itself or as a percentage of household income, SACOSS has noted in relation to energy in particular that it is not just the quantum of the bill but the "bill shock" – the fact that energy bills are large, irregular/lumpy and often unpredictable/unexpected expenditure.

Telecommunications has similar patterns of bill shock – although for different reasons. While many telecommunications services are billed monthly with fixed price plans, this is not the case where pre-paid services can require lumpy payments at the point of consumption. Further, the capital expenditure to use telecommunications (the cost of phones, tablets and computers) is a lumpy expenditure and excess data charges (particularly on the lower cost plans) can makes the size of the monthly bills unpredictable – or lead to a constant battle to limit use to keep under what are often inadequate data caps (Ogle & Musolino, 2016).

The comparison with expenditure on other utilities is also instructive as rising energy costs dominate media and cost of living debates. As Figure 3 shows, in 2015-16 South Australian households spent more on telecommunications than on energy or water.

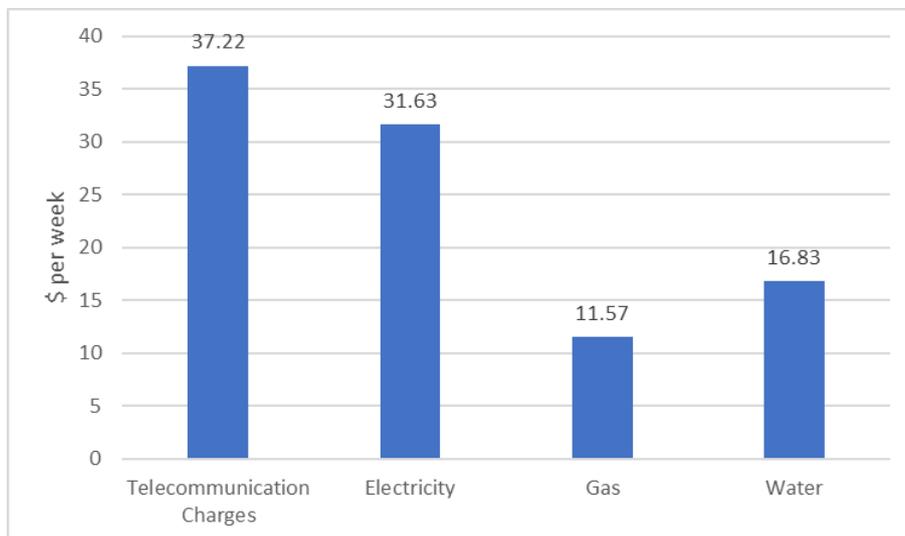
Figure 2: Utilities Expenditure Comparison, 2015-16



Source: SACOSS adapted from ABS (2017)

Of course, the telecommunications expenditure here includes equipment costs which may not be analogous to energy or water where, for instance, the cost of light switches or taps is not included. If the telecommunications equipment is taken out, then average South Australian household expenditure on energy is greater than on telecommunications – but it remains the case that South Australians spend more on telecommunications charges than on either electricity, gas or water.

Figure 3: Disaggregated Utilities Expenditure Comparison, 2015-16



Source: SACOSS calculation from (ABS, 2017a)

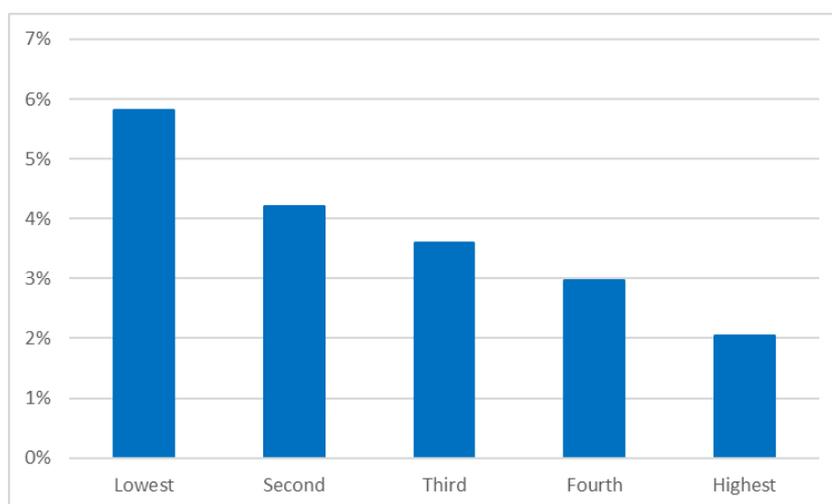
While the data here is clear, the disaggregated analysis needs to be qualified because the average expenditure on electricity varies considerably between households with dual fuel (electricity and gas), mains electricity only and those with solar power. These other sources of energy bring down the average electricity expenditure across all households, while those who have only mains electricity are likely to have bills well above the average. However, the same is true for telecommunications where some 17% of South Australians households do not have any internet connection at home (including mobile phone)(ABS, 2017b) – thus bringing down the telecommunications averages. These are just some of a range of specific household differences

across all categories which make absolute comparisons of utilities expenditure difficult and assumption-dependent. What is clear though in all analysis is that telecommunications expenditure is significant, and if we are right to be concerned about the impact of electricity costs on households, then we should be similarly concerned about telecommunications expenditure.

Regressive

The ABS has not published South Australian detailed expenditure data broken down by other demographic characteristics – including most crucially, by income quintile. However, national data is available and there is little reason to doubt that the main trends identified in the national data would also apply to South Australia. Further, the *ADII*'s South Australian affordability data is also broken down by various sub-groups, and from both data sets it is clear that telecommunications expenditure is regressive – that is, it accounts for a greater proportion of income for those on lower incomes than for other households.

Figure 4: Telecommunications Expenditure as Proportion of Household Income, 2015-16, by income quintile



Source: Data from Thomas et al (2017)

The South Australian data in the *ADII* has a slightly different story with the bottom three quintiles all scoring around 50 index points for relative expenditure – meaning that the proportion of income spent on telecommunications is about the same. But the score for the fourth quintile is 63.6 and for the highest income bracket it is 74.4 – meaning that those higher income households are spending proportionately far less on telecommunications. The differences between the *HES* and *ADII* results may relate to different samples or methodology, but also to the fact that the *ADII* does not include equipment expenditure which also tends to be regressive. For instance, the middle-income quintile spends on average about 75% more than the lowest quintile on telecommunications equipment, but the relative impact on their budget is approximately 30% less than for the lowest income households.

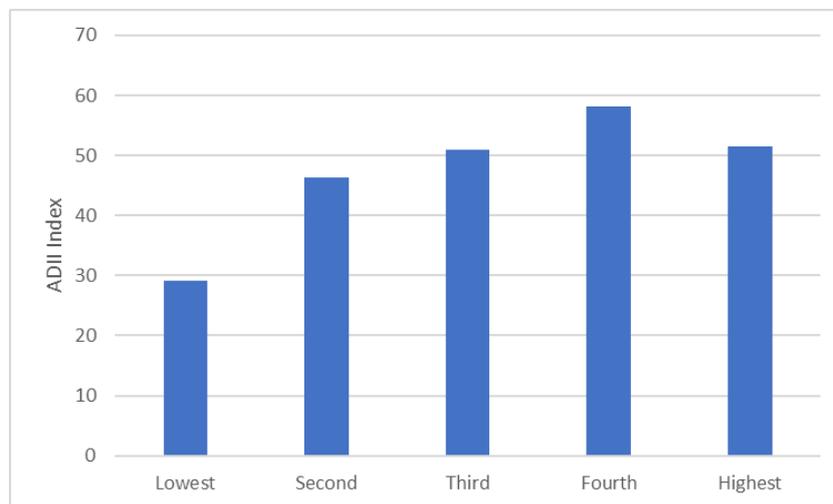
Either way (but to varying degrees), the expenditure on telecommunications is regressive in that accounts for a greater proportion of household income for those on the lowest incomes than those in the highest income brackets.

This regressive pattern is partly because those on the lowest incomes still need telecommunications and are forced to pay for these services even though the costs leave them

struggling. By contrast, those on the highest incomes have more money to spend and do spend more on telecommunications, but there is a limit to how much expenditure is needed and they tend to save significantly more – so that telecommunications account for less of their income. However, in addition to just the basic income-levels, it is also the case that telecommunications plans often include “poverty premiums” where the more affordable plans provide the worse value for money.

SACOSS’ *Anti-Poverty Week 2017 Statement* identified price premiums on data in pre-paid mobile plans (the choice of many on low incomes, including homeless people, for whom it is often the only internet connection). Prepaid mobile data costs 50% more than in post-paid mobile plans, and 328% more against the unit data costs in a similar expenditure on home internet data. There were also considerably large poverty premiums for those on the lowest cost plans – spending less per month, but getting significantly worse value for money (SACOSS, 2017b). The *ADII* measured value for money (in terms of unit price per GB of data) in South Australia as follows.

Figure 5: ADII Value for Money Score



Source: Data from Thomas et al (2017)

Finally, in addition to getting less value for money, there are also poverty premiums in many plans that have a range of late payment and rejected payment penalties. These are more likely to apply to and impact more on those on the lowest incomes (for instance, those who don’t have cash in the bank to cover direct debits).

The end result of the difference in overall expenditure and income, lesser value for money and the poverty premiums is the regressive telecommunications expenditure pattern evident in Figure 5 above.

Beyond income quintiles, there are also significant differences in expenditure patterns between different household types, but again, the ABS has not published this *HES* data for South Australia. However, the national data has been summarised in a joint report by SACOSS and the Australian Communications Consumer Action Network (ACCAN) (Ogle, 2017). In short, it found that:

- Those on government pensions and allowances spent proportionately more of their income on telecommunications than those with private incomes (4.4% vs 2.9%)
- Children are a key factor in telecommunications with:

- Couples with children spending more than any other household composition types (\$68.02 per week)
- One parent households with children spending the highest proportion of their income on telecommunications (4.2%)
- Families with children spending more on telecommunications as the children get older
- Home owners paying-off mortgages spend more than those with any other household tenure (\$62.84) – presumably due to age and family size, but renters pay proportionately more of their income for telecommunications (3.8% for public housing tenants, 3.5% for private renters).

Some of these patterns clearly overlap with and contribute to the regressive income quintile patterns. For instance, renters on average have lower incomes than home owners so the same dollar value telecommunications expenditure would mean a proportionately greater expenditure. But renters also face other disadvantages in the telecommunications market with limited lease periods making it harder to buy the cheapest home internet plans which often require 2 year contracts (when most residential leases are only 6 months) (Ogle & Musolino, 2016).

Again, there is no reason to think that these national patterns do not apply in South Australia, but the *ADII* also has South Australian analysis which shows that:

- Those in full-time employment are less likely to struggle with telecommunications affordability than those in part-time or no work
- Those with tertiary education are less likely to struggle than those with secondary or less education
- Those with disability are more likely struggle with telecommunications affordability than average South Australians (Thomas et al, 2017).

These outcomes reflect national patterns and obviously also relate to the different income levels, contributing to and reinforcing the regressive income patterns noted above.

Geographic Comparisons

National Comparison

Much of the above discussion was premised on South Australia replicating national expenditure patterns, and Table 4 shows the summary level comparison. While average telecommunication expenditures are higher at the national level so too are incomes, and as a percent of both income and expenditure the South Australian and national figures are similar.

Table 4: Household Telecommunication Expenditure, SA and National, 2015-16

Category	South Australia \$ p.w	Australia \$ p.w.
Total Communication Equipment	9.40	10.60
Total Communication Charges	37.22	42.16
TOTAL TELECOMMUNICATIONS EXPENDITURE	\$46.62	\$52.76
<i>% of Total Goods & Service Expenditure</i>	<i>3.9%</i>	<i>3.7%</i>
<i>% of Household Disposable Income</i>	<i>3.2%</i>	<i>3.1%</i>

Source: ABS (2017a)

While these expenditure patterns are relatively similar, the *ADII* suggests that South Australians are more likely than the national average to struggle with telecommunications affordability. Of the three *ADII* sub-indexes (access, affordability and ability), affordability was the largest contributor to the gap between South Australia and the national average *ADII* score. As Table 5 shows, in the *ADII* survey telecommunications expenditure accounted for a greater proportion of income in South Australia than nationally, and South Australians got less value for money.

Table 5: Telecommunications Affordability, SA and National, 2017

	South Australia Index	Australia Index
Expenditure Relative to Income	43.7	46.8
Value for Money	54.9	58.5
AFFORDABILITY SUB-INDEX	49.3	52.7

Source: Thomas et al (2017)

Again, differences in categories and methodology between the ABS data and the *ADII* may account for the differences in results in relation to relative expenditure, but the difference in value for money is a concern. SACOSS calculations based on the *ADII* value for money scores (see Explanatory Note 4 in the Appendix) suggest that South Australians on average get 14% less GB than the national average for every dollar spent on data (2.1GB/dollar in SA, 2.5GB/dollar nationally). While these value-for-money figures may seem odd given that most telecommunication prices are set nationally, the differences between SA and national figures may result from different technology mixes (for instance, greater reliance on pre-paid or mobile data) or simply spending less on telecommunications where the lower cost plans contain less value for money.

Regional South Australia

The differences between South Australia and national figures have reflections in differences between Adelaide and regional South Australia. Table 6 shows that expenditure on telecommunications in the Greater Adelaide Area (ie. Adelaide, Adelaide Hills, and including McLaren Vale, Mt Barker and Gawler) is significantly higher than in the rest of the state. However, as a proportion of income the telecommunications expenditures are about the same (because of lower levels of income in regional areas).

Table 6: Household Telecommunication Expenditure, SA and National, 2015-16

Category	Greater Adelaide Area \$ p.w	Rest of State \$ p.w.
Total Communication Equipment	10.74	4.96
Total Communication Charges	38.55	32.49
TOTAL TELECOMMUNICATIONS EXPENDITURE	\$49.29	\$37.45
<i>% of Total Goods & Service Expenditure</i>	3.9%	4.1%
<i>% of Household Disposable Income</i>	3.2%	3.2%

Source: The Greater Adelaide data is direct from ABS (2017a);
the Rest of State data is a SACOSS calculation based on ABS (2017a) (see Explanatory Note 5 in Appendix).

In today's money, this telecommunications expenditure in South Australia would translate to \$50.97 per week in Adelaide and \$38.72 for the rest of the state.

While the differences between Adelaide and regional areas appear to be mainly a function of income, there are some telecommunications specific reasons to be concerned about the lower levels of expenditure in regional areas.

Firstly, this South Australian regional telecommunications expenditure is 76% of the average telecommunications spend in Adelaide, which is much lower than the national average of 84% (SACOSS calculations from ABS, (2017a)). This suggests a larger city-country gap in South Australia than elsewhere, but perhaps more importantly, other data suggests that regional areas are using less telecommunications and paying more for it.

The ABS census data (2017b) recorded that 15.5% of households in the Greater Adelaide area did not have anyone accessing the internet at home, but SACOSS' calculates that the figure is 22.3% for the rest of the state. This lower level of internet connection may contribute to decreasing the rest-of-state average expenditure figures, but also speaks to a digital divide which is also identified in the 2017 *ADII*. Regional areas lag behind Adelaide by 3.5 points overall in the *ADII*, with the gap around affordability being the biggest contributor.

The *ADII* also has a sub-regional data breakdown although it is limited by sample size and the broad geographic areas used by Roy Morgan Research. SACOSS has proposed that the South Australian government commits to funding more in-depth regional data in the index (SACOSS, 2018). Table 7 shows not only that telecommunications are more affordable in Adelaide, but that those in regional areas are getting less value for money.

Table 7: Household Telecommunication Expenditure, SA and National, 2015-16

	Adelaide	Rural SA	Yorke & Murray	South East	Eyre
ADII Affordability	50.5	45.0	45.1	44.3	45.3
Value of Expenditure – Index	56.4	49.4	48.9	46.8	51.8
<i>GB per \$1 of data</i>	<i>2.3</i>	<i>1.6</i>	<i>1.5</i>	<i>1.3</i>	<i>1.8</i>

Source: Thomas (2017). GB/\$ data is a SACOSS calculation (See Explanatory Note 4 in the Appendix).

Some caution is needed because of low sample numbers across diverse areas – for instance, Eyre rates well relative to the rest of regional South Australia (although not as well as Adelaide), but this includes substantial centres like Port Augusta, Whyalla and Port Lincoln and connection hot-spots like Roxby Downs, but also a range of small and isolated regional communities. However, the overall pattern is clear that regional South Australia gets approximately 30% less data per dollar than Adelaide, with those in Yorke Peninsula and the South East getting the least value for money.

Again, the variations in average value for money between regions may result from different technology mixes including more or less reliance on satellite access which is more expensive than fibre broadband available in cities. Regional customers also often have a more limited choice of retailers. This constrains their ability to shop around for the best deal. In many areas there is no choice with the only provider being Telstra which as a premium provider tends to be more expensive than some of the more limited providers (precisely because those other retailers can limit their operations to more profitable service provision – thus allowing them to lower prices).

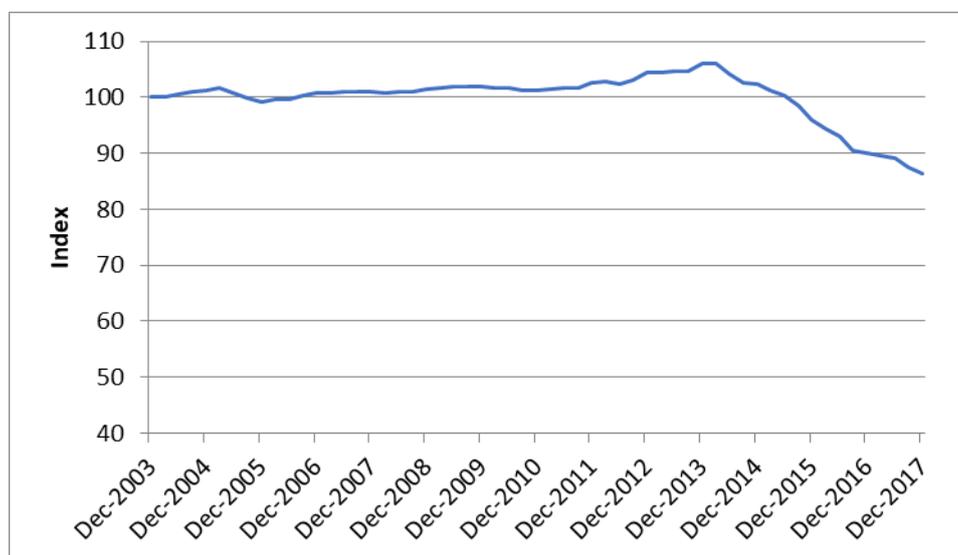
The fact that households in regional South Australia spend less on telecommunications than those in Adelaide and get worse value for money inevitably means that regional households are consuming less telecommunications services than their city counterparts. This matters because telecommunications arguably matter more for those in regional areas who are physically further away from family, friends, markets and government services – meaning that they should be consuming more and having higher telecommunications expenditures than those in the city. That this is not the case suggests that the potential of telecommunications to overcome disadvantages of distance is not being fully realised.

Changes Over Time

In summarising the above, it is clear that the latest data confirms earlier analysis of telecommunications expenditure being essential, significant and regressive. However, there have been important changes over time.

Unlike the other utilities where prices have sky-rocketed in recent years leading to efforts to control cost by decreasing usage, telecommunications costs have declined over the long term as new technology gets cheaper in itself and/or allows for more efficient service delivery. Figure 6 shows this decline in prices for telecommunications equipment and services¹ in Adelaide over the last 14 years. Prices remained steady for the first half of the period before rising slightly to a high point in December 2013 and since then there has been a substantial fall in prices. It is important to note that these prices are not adjusted for general inflation, meaning that the flat price index up until 2010 was in fact a decrease in real terms, and the price drop since 2013 is even more marked in real terms.

Figure 6: Telecommunications Prices, Adelaide, 2003-2017



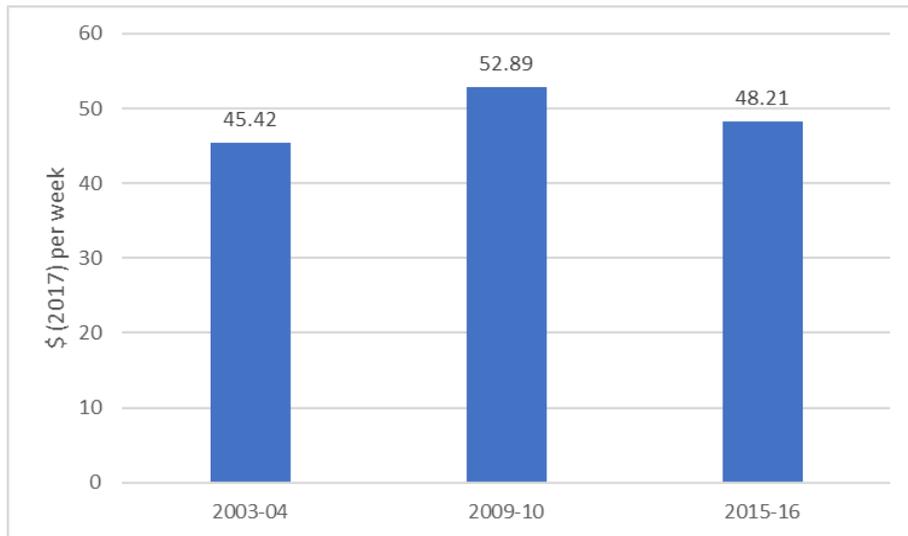
Source: ABS (2018)

These Adelaide price changes mirror national price changes closely with a total reduction in prices over the period of 13.5% in Adelaide and 13.7% nationally.

While this sounds good in terms of cost of living, what actually impacts on the household budget is the expenditure rather than the price, and the expenditure data tells a slightly different story. The fall in prices has been balanced to some extent by a rapid growth in demand as more services and interactions go online and more platforms are integrated into lifestyles. The result is that telecommunications expenditure actually increased from 2003-04 to 2009-10 despite prices being flat, but the price decreases since 2013 saw expenditure fall since the 2009-10 HES – although it remains 6% higher than in 2003.

¹ This is the CPI category for equipment that does not include home computers which are included as telecommunications costs in the rest of this report.

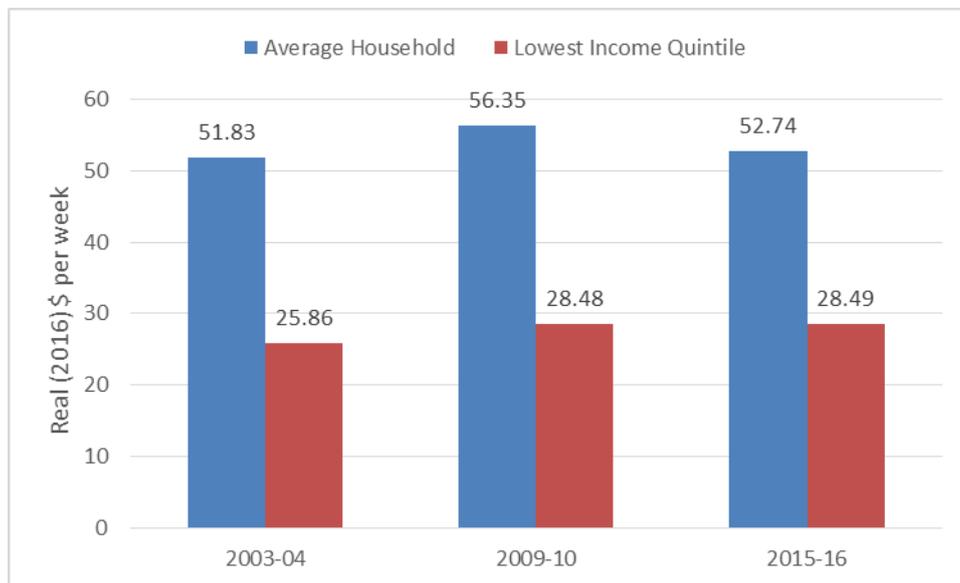
Figure 7: Telecommunications Expenditure, South Australia, 2003-2016



Source: ABS (2017a)

While these results are good in terms of relief from cost of living pressures, the situation may be different for low income earners, although again we only have national data for this. As Figure 8 and 9 below show, for households in the lowest income bracket (quintile) real expenditure on telecommunications did not fall from 2009-10 to 2015-16 and has remained about the same or slightly increased as a proportion of household expenditure. This perhaps reflects the lower value for money obtained by low income consumers, who may therefore not be getting the full benefit of the price decreases.

Figure 8: Telecommunications Expenditure, 2003-2016, by Income Quintile (national)



Source: ABS (2017a)

Figure 9: Telecommunications as Share of Household Expenditure, 2003-2016, by Income Quintile (national)



Source: ABS (2017a)

The ADII only goes back to 2013 and while it will (hopefully) grow into a useful means of tracking telecommunications affordability over time, the data is still too short term to make meaningful analysis. For what it is worth though, it does show that for South Australia, affordability has fluctuated – dropping from 2014 to 2016, but increasingly slightly in the last year to 49.3 (Thomas et al, 2017).

Conclusion and Recommendations

This report has argued that telecommunications are an essential service and that expenditure on telecommunications is significant both because of its regressive impact on the household budget and its importance as a potential barrier to digital inclusion. The key findings to be drawn from the data in this report can be summarised as follows:

- South Australian households currently spend on average \$48.21 per week on telecommunications
- Average expenditure on telecommunications was greater than on electricity, gas or water
- As a proportion of income, telecommunications expenditure has nearly 3 times the impact on the household budget of low income households as it does on those in the highest income bracket
- Households in regional South Australia spend less on telecommunications than those in Adelaide, but are also getting less value for money – meaning that they are using significantly less telecommunications overall despite the importance of telecommunications in overcoming disadvantages of distance
- The city/country imbalance in South Australia is worse than the national average with telecommunications expenditure in regional households in South Australia being 76% of the average expenditure in Adelaide, by comparison with a national regional/capital average of 84%.
- While telecommunication prices have decreased by 13.5% in Adelaide over the last 14 years, average household expenditure on telecommunications increased by 6%, although expenditure has decreased since 2009-10. However, national figures show that expenditure for low income households has not decreased in the same way and may be higher now than in both 2003-04 and 2009-10 *Household Expenditure Surveys*.

These findings update and add weight to the concerns SACOSS expressed in its *Connectivity Costs* report (Ogle & Musolino, 2016) and again suggests that telecommunications affordability struggles, particularly for those on low incomes, need to be taken seriously particularly as it may constitute a barrier to digital inclusion. As noted in this report and argued more extensively elsewhere (SACOSS, 2017a, 2018) digital inclusion is important both as a social and economic issue. Lower levels of digital inclusion reflect and compound other lines of disadvantage (income, education, age, dis/ability) and have great impact on the ability to get education and employment. And while the digital divide may be narrowing as more people go online, the divide also gets deeper as the cost of not being digitally connected becomes greater as more and more commerce, services and culture becomes only available online.

For this reason, SACOSS has been arguing for a renewed focus on digital inclusion and has made it a feature of its 2018 State Election Policy Platform (SACOSS, 2018). The Platform contains 7 policy proposals to address digital inclusion, headed by the need for a state-wide digital inclusion plan and for all parties to come to the election with a set of policies addressing digital inclusion. However, in terms of cost of living, the two digital inclusion policies which are most relevant are the calls for:

- Increased availability of free public wi-fi in areas of digital disadvantage; and
- Non-metered (ie. free) access to SA government websites.

Given that we have seen that low income households pay more for telecommunications and get less value for money, free public wi-fi would provide an avenue for those struggling to manage

telecommunications costs, or who have low data caps or their phone credit has expired to still access the internet. Obviously public wi-fi is not as convenient as simply being able to afford telecommunications in your home, but it could be a bit of a “telecommunications safety net” as well as alleviating some of the burden of data costs on the household budget. The SACOSS election policy suggests this provision could be done either directly by government provision, or through a grants program to local groups, councils or businesses to provide the service. Either way though, what is required is a specific commitment from political parties to ensure it happens, not simply a statement as to it being a worthwhile objective.

The second cost of living related recommendation in the SACOSS Digital Inclusion Policy for non-metered access to SA government websites would probably not save household a lot of money, but where people have to pay for data to access government services it is both a barrier to those without data and an unfair imposition on the poorest people. In a paper world we would not accept, for instance, that those on the lowest income should have to pay to apply for a government transport or energy concession, but that is exactly what happens when they have to pay for the data to do the transaction online. Similarly, when government policy consultation goes online, we are asking people to pay to be involved in the democratic process – and again, we are asking those on lowest incomes who are more likely to have expensive pre-paid mobile data to pay more and excluding those who can’t afford that data.

In terms of the state election though, these are only two ideas to assist those struggling most with telecommunications costs. It continues to be our hope that all parties will announce policies aimed at increasing digital inclusion, including affordability for those on the lowest incomes.

APPENDIX: Explanatory Notes

1. CPI and Living Cost Indexes

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

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

2. Limitations of the Selected Living Cost Indexes

The Selected Living Cost Indexes are more nuanced than the generic CPI in that they measure changes for different household types, but there are still a number of problems with using those indexes to show cost of living changes faced by the most vulnerable and disadvantaged in South Australia. While it is safe to assume that social security 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 living cost indexes are not state-based, so particular South Australian trends or circumstances may not show up.

At the more technical level, the Selected Living Cost Indexes are for households whose *predominant income* is from the described source (e.g. aged pension or government transfers). However, the expenditures that formed the base data and weighting (from the 2015-16 *Household Expenditure Survey*) add up to well over the actual social security 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 social security recipient in the same household. Like the CPI, the Living Cost Index figures reflect broad averages (even if more nuanced), but do not reflect the experience of the poorest in those categories.

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

The weightings in the Selected Living Cost Indexes are also based on a set point in time (from the *Household Expenditure Survey*), but over the price of some necessities may increase rapidly,

forcing people to change expenditure patterns to cover the increased cost. There is some adjustment of weightings for this, but these can't be checked without a new survey. Alternatively or additionally, expenditure patterns may change for a variety of other reasons. However, the weighting in the indexes does not change and so does not track the expenditure substitutions and the impact that has on cost of living and lifestyle.

Finally, the Selected Living Cost Indexes' household income figures are based on households that are the average size for that household type: 1.52 people for the aged pensioners, and 2.57 for the other social security recipients (ABS, 2017b). 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 social security recipient household average of 2.57 persons). However, this is a proxy rather than statistical correlation.

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

3. Income Support Payment Calculations – December 2017

Even using the base rate of benefits, the calculation of the relevant weekly incomes is difficult because of the complexity of the income support system which means that payment eligibility and rates change depending on the exact circumstances of the household (eg. age of children, assets). The calculation is also complex because of changes over time in eligibility and available benefits. However, based on an assumption of a single Aged Pensioner and a single Newstart recipient with two children (aged 10 and 14) – with neither receiving Commonwealth Rent Assistance, the basic income supports payments are as follows:

Rates at 30 December 2016

	Base Rate	Pension Supplement	Household Assistance Package	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Aged Pension	\$398.95	32.55	7.05					\$438.55
Newstart - 2 children	\$285.95		4.75	91.42	118.93	54.32	3.1	\$558.47

Rates at 30 December 2017

	Base Rate	Pension Supplement	Household Assistance Package	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Aged Pension	\$407.00	33.15	7.05					\$447.20
Newstart - 2 children	\$291.40		4.75	91.42	118.93	54.32	3.1	\$563.92

4. SACOSS Value for Money Calculations

The ADII value for money sub-index is based on the amount of internet data obtained per dollar value of expenditure. This is then turned into an Index figure with those getting most value for money in a top quintile (100) and getting progressively lower for people getting less value for money. Those with no data allowance are seen as getting no value and therefore given a score of 0

(Thomas et al, 2017). The ADII quintiles scores and associated GB per dollars are shown in the Table below.

ADII Value-for-Money Scores

ADII Value Score	0	20	40	60	80	100
GB per dollar	0	0.1	0.7	2.6	6.8	6.8+

The SACOSS calculation takes this one step further by putting a GB per dollar value on all the ADII value-for-money scores by assuming a linear change within these data ranges (eg. an index number half way between two points in the ADII range is assumed to be a GB/dollar/figure half way between the values at the top and bottom end of the data range).

5. SACOSS Calculation of Regional SA Telecommunications Expenditure

The ABS *HES* (2017a) includes summary level expenditure data for the Greater Adelaide Area, the Rest of the State, and for the State as a whole. However, this data is not usable because the summary-level “Communications” category includes postal services, but does not include some telecommunications equipment which we have included (eg. home computers). The ABS does not publish the Rest of State data in the detailed tables used to compile our telecommunications expenditure figures here. Accordingly, SACOSS has estimated the Rest of State (ie. regional) expenditure data using the following method. The telecommunications expenditure (as defined here) is calculated using the Detailed Tables for the Greater Adelaide Area and for South Australia as a whole. The average household expenditure for each is multiplied by the number of households in that category (also recorded in the *HES*) to give a state aggregate expenditure for both Adelaide and the whole state. The aggregate Adelaide expenditure figure is subtracted from the aggregate whole state figure to give the aggregate expenditure outside of the greater metro area. This aggregate expenditure is then divided by the number of households in those regional areas (which is in the *HES*) to provide the average household expenditure in Rest of State (regional) areas.

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