

# The Rising Cost of Living in WA

August 2010



**wacoss**

Western Australian  
Council of Social Service Inc

*Ways to make  
a difference*

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## About this paper

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WACOSS has produced *The Rising Cost of Living in WA* paper since 2006. The paper's intent is to track changes in typical living expenses against increases in the WACOSS model family's income. It endeavours to use the most current, up to date data available, from a variety of sources.

In addition to this, WACOSS occasionally produces a *Cost of Essential Services* paper, which similarly tracks increases in the cost of utilities – water, gas and electricity. In 2009-2010 the cost of utilities has increased by \$323, placing immense strain on vulnerable people across the state.

This paper combines changes in the price of basic household expenses and changes to the price of essential services, consistent with the WACOSS Household Model.

The conclusions presented in this paper are in no way intended as evidence of overall living costs and/or household expenditure patterns. Rather, the paper highlights price increases for a consistent group of basic goods and services, which are placing a strain on the budgets of WA families living on minimum wage.

The WACOSS Household Model is based on a series of assumptions which are referenced and sourced from the most current available data.

The paper provides indicative data to demonstrate the changing living costs in WA for the past year. When considered with previous papers, it is a useful resource to analyse trends in the cost of living.

The paper uses commonly tracked percentage changes in the price of goods and services, and considers the changes in dollar terms.

## Executive Summary

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WACOSS' Cost of Living paper is intended to track selected living expenses against increases to the WACOSS Household Model's income. This year, the paper shows that from July 2009 to 2010, weekly expenses for the WACOSS Household Model have increased by approximately \$16 per week, or 2.33%. During the same period, income levels for minimum wage earners in WA have increased by \$45 per week, or 5.37%. In the 12 month period, the family's disposable income has increased modestly by \$29 per week.

*In recent years, our estimates have shown that income levels have not kept pace with increases in living expenses, meaning that the family has continued to fall further and further behind. In the past year, there has been some easing of cost of living pressures compared to previous years.*

The easing in some costs has reflected the economic downturn and associated reduced inflationary pressures in the economy. However, not all key goods and services have reflected this easing. Most evidently, prices of essential services continued to increase throughout the downturn.

Those who were able to maintain full employment through the downturn would have benefited from some of the easing in costs, better able to manage this year's budget compared to last. Increases to the minimum wage would also have impacted greatly on a person's ability to keep pace with increases in the cost of living.

WACOSS has always had an interest in ensuring that wages for employees keep pace with the cost of living and community standards. We must ensure that minimum wages are adequate, as they are a vital means of protecting low-income workers from poverty. The wage earned by full time minimum wage earners should be sufficient to ensure they have the capacity to meet their basic living costs, while living with dignity and respect.

It is also crucial to acknowledge the large numbers of people who found themselves unemployed and underemployed as a result of the economic downturn. These people would have been under immense pressure to keep up with rising costs. There are currently over 56,000 unemployed West Australians<sup>1</sup>, while an estimated 80,000 are underemployed<sup>2</sup>.

*We know that many low-income families not represented by this model, particularly those outside of the workforce, may earn below minimum wage and still have to absorb these cost pressures.*

The latest household income and distribution survey<sup>3</sup> states that Australia-wide, approximately 3.7 million people rely on government pensions and allowances as their primary source of income. Conservatively we could estimate that approximately 350,000 in WA receive income support. These 350,000 people face a great risk of falling into poverty and debt cycle, and are much less able to absorb increases in the cost of living.

*Figures show that from 2009 to 2010, expenses for the WACOSS Household Model have increased by approximately \$16 per week, or 2.33%. During the same period, income levels for minimum wage earners in WA have increased by \$45 per week, or 5.37%.*

*In a 12 month period, the family's disposable income has increased by \$29 per week, or 19%.*

## Low Income Households in WA

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The Australian Bureau of Statistics (ABS) defines low-income families as those in the second and third lowest quintiles, with household income averaging \$598<sup>4</sup>. It should be noted that the ABS figures relate to household income, whereas the minimum wage is an individual figure.

By comparison, the state minimum wage is currently \$587. This is handed down each year by the WAIRC. While there are limitations to ABS data, the case can be made for the purposes of this paper that minimum wage earners fall into the low-income category. The Trade and Labour Council of WA (TLCWA) also states that the majority of employees reliant on minimum wages in WA are low-income employees.<sup>5</sup>

Geographically, the latest census data<sup>6</sup> tells us that concentrations of low-income households are located in a narrow band along the eastern side of the City stretching from Balga in the north to Armadale in the south-east; in the southern coastal areas of Kwinana, Rockingham and Mandurah; and in the suburbs to the immediate south of Fremantle.

Balga, Midland and Midvale, Bentley, Hamilton Hill and Coolbellup all had more than one third of households classified as low income. Similar proportions were located in the south of WA, particularly in the suburbs of Calista, Medina, Rockingham, Shoalwater, Mandurah, Furnissdale and Coodanup.<sup>7</sup>

While it is useful to be aware of the areas where high concentrations exist, we know that people live on low incomes right across the state, throughout both metropolitan and regional areas.

## Economic Context

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The cost of living in Western Australia has been greatly influenced by fluctuating economic conditions over the past four years. The mining and resources boom sustained a long period of economic growth, which while beneficial to some, drove up the cost of living rapidly and had negative impacts on many vulnerable West Australians who were not able to share in the state's prosperity.

After this prolonged period of growth, global markets crashed in late 2008. Quickly, the West Australian economy began to display the negative impacts of the economic downturn - rising unemployment, record property repossessions, and an increased demand on community services.

Initially, while unemployment figures confirmed that Australia as a nation had done remarkably better than its international counterparts, figures for WA showed that by comparison we were faring much worse.

In October 2009, the unemployment rate increased from 5.4% to 5.8% in one month. It was the first time since January 2004 that WA's unemployment rate had been higher than the national average. Those figures painted a worrying picture for the community.

There were now 70,500 West Australians unemployed and actively looking for work. They also faced an increased likelihood of needing financial counselling, emergency relief, mental health and drug and alcohol services, legal assistance, housing and homelessness services, relationship counselling and other vital community services.

The ACOSS Community Sector Survey (2008) reported that approximately 10,000 eligible people across the country were turned away from services in 2007-2008, as they simply could not cope with the numbers. As well as increased demand, the community services sector was also experiencing a shift in the demographics of people who were seeking assistance.

Recent research conducted on behalf of The Salvation Army Australia, released on the 28 May 2010, states that a staggering 20% or 88,000 people nationally, sought help for the first time this year, for a range of support services. They say the research clearly shows clients feel 'less in control and more depressed' than they did in 2009 about the future, because of their current economic situation.

***88,000 people nationally, sought help for the first time this year, for a range of support services. They say the research clearly shows clients feel 'less in control and more depressed' than they did in 2009 about the future, because of their current economic situation.<sup>8</sup>***

Under-employment continues to be an issue across the nation. The economic downturn revealed growing ranks of workers across the state forced to take a reduction in hours while trying to maintain housing and manage other substantial financial commitments. In May 2009, the underemployment rate in WA was 7.3% compared to an unemployment rate of 5.1%. The rate is slowly decreasing, but still sits at 6.2% compared to an unemployment rate of 4.4%.<sup>9</sup> For these people, their financial positions would be significantly worse than that reflected in the WACOSS Household Model.

***WA's unemployment rate currently sits at 4.4%, a monthly increase of 0.4%, or 4000 people. This is the largest monthly increase of any state in the country, and brings WA's total number of unemployed people to 56,100.<sup>10</sup>***

## The Consumer Price Index and Living Costs

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While it is difficult to accurately track living costs and household expenditure patterns, there are some useful indicators that draw a general picture of costs pressures. The Consumer Price Index (CPI) produced by the ABS is the most commonly used indicator of the cost of living.

WACOSS has long argued that the headline CPI figure is inadequate as a measure of the cost of living for low income earners. This inadequacy is due to the composition and weighting of the basket of goods used to calculate the CPI.

While the ABS' approach yields a useful and accurate measure of overall consumer price movements, even it recognises the limitations of the CPI. The ABS warns that a "true cost-of-living index, among other things, would need to be concerned with changes in standards of living and with the substitutions that consumers make in order to maintain their standard of living when faced with changing market conditions".<sup>11</sup>

Limitations to the CPI have also been acknowledged by the ABS with the development of the Pensioner and Beneficiary Living Cost Index, designed specifically for households who rely on the pension.

Perth (and indeed the whole of WA) continues to be an expensive city in which to live, reflected by the recent CPI figures for Perth. The 'headline' CPI increase for Perth in the year to June 2010 was 3.5%, a 2.1% increase from the year to June 2009. From the previous quarter in 2010, Perth recorded the highest percentage increase of 0.9%

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Price movements in goods and services that form a small part of low-income earners' budgets (for example, luxury goods and financial services) can offset price rises in vital goods and services such as food and housing.

Other relevant CPI increases for the year to June 2010<sup>12</sup> for Perth include:

Transport:	3.4%
Housing:	5.9%
Household contents and insurance:	0.95%
Education:	7.8%



## WACOSS Household Model

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The WACOSS Household Model is a hypothetical scenario based on a number of referenced assumptions. The scenario is not intended to be a comprehensive or precise reflection of all living costs and/or household expenditure. It does, however, highlight the difficulty faced by many families living on a low income in WA.

The following assumptions apply to the WACOSS Household Model:

- The family consists of two parents and two dependent school-aged children below the age of 13
- One parent is engaged in full time employment at minimum wage
- The family resides in rental accommodation
- The family receives a family assistance payment (Family Tax Benefit A and B) from the Family Assistance Office. They are also eligible to receive a parenting payment and rent assistance. This amount forms part of the family's income figure.

The family's 'income' figure has been calculated using the State-awarded minimum wage, which is handed down each July by the WA Industrial Relations Commission (WAIRC). The current state minimum wage is \$587. This figure is added to the family assistance payment, administered by the Family Assistance Office.

The family assistance payment, including rent assistance, has been estimated using the family assistance estimator, available online at [http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/online\\_services](http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/online_services).

The model includes changes over a 12 month period in food, housing, health, child care, electricity, gas and water costs.

There are many additional household expenses *not* included in the scenario. Expenditure items such as clothing and footwear, education, home contents insurance, motor vehicle maintenance and repairs, and telephone bills are not included in this model.

The case can be made that the associated costs of running this household are actually very conservative, in that they do not take into account the many other cost pressures facing low-income families.

In addition, many low-income families not represented by this model earn below minimum wage and still have to absorb these cost pressures, particularly those outside of the workforce, who live on much lower incomes than the minimum wage. This puts them at risk of poverty and debt cycles.

***Figures show that from 2009 to 2010, expenses for the WACOSS Household Model have increased by approximately \$16 per week, or 2.33%. During the same period, income levels for minimum wage earners in WA have increased by \$45 per week, or 5.37%***

***In a 12 month period, the family's disposable income has increased by \$29 per week, or 19%.***

**Table 1: WACOSS Household Model weekly income (minimum wage plus Family Assistance payment)**

Table 1 shows a yearly increase in the WACOSS Household Model's weekly income of \$45.

	Minimum Wage <sup>13</sup>	Family Assistance <sup>14</sup>	Total Weekly Income
July 2009	\$569	\$268	<b>\$837</b>
July 2010	\$587	\$295*	<b>\$882</b>
<b>12 Month Increase p/week</b>	<b>\$18</b>	<b>\$27</b>	<b>\$45</b>

\* Based on the following Family Assistance payments, calculated from WACOSS Household Model assumptions illustrated on page 8 (amounts stated are per week):

- Family Tax Benefit Part A: \$160.30
- Family Tax Benefit Part B: \$68.18
- Rent Assistance: \$66.64

**Table 2: WACOSS Household Model weekly living increases July 2009 – July 2010**

Table 2 shows the total increases in weekly living expenses for the WACOSS Household Model, an overall increase of \$16 per week.

	July 2009	July 2010	12 Month Increase p/week
Food and household items <sup>15</sup>	\$136	\$140	<b>\$4</b>
Housing <sup>16</sup>	\$370	\$370	<b>\$0</b>
Fuel <sup>17</sup>	\$49	\$51	<b>\$2</b>
Health services <sup>18</sup>	\$62	\$65	<b>\$3</b>
Childcare <sup>19</sup>	\$32	\$33	<b>\$1</b>
Utilities <sup>20,21,22</sup>	\$37	\$43	<b>\$6</b>
<b>Total</b>	<b>\$686</b>	<b>\$702</b>	<b>\$16</b>

**Table 3: WACOSS Household Model weekly disposable income**

Table 3 shows total income minus total expenses, leaving the WACOSS Household Model with \$180 per week of disposable income, an increase of \$29 per week.

	Weekly Income	Total Expenses	Disposable Income
July 2009	\$837	\$686	<b>\$151</b>
July 2010	\$882	\$702	<b>\$180</b>
<b>12 Month Increase p/week</b>	<b>\$45</b>	<b>\$16</b>	<b>\$29</b>

Data drawn from these three tables shows that from 2009 to 2010, expenses for the WACOSS Household Model have increased by approximately \$16 per week, or 2.33%. During the same period, income levels for minimum wage earners in WA have increased by \$45 per week, or 5.37%

In a 12 month period, the family's disposable income has increased by \$29 per week, or 19%.

## Essential Services

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Essential services such as electricity, gas and water are necessary to maintaining a decent quality of life. However, for people living on low incomes or experiencing financial hardship, the cost of accessing essential services consumes a disproportionately high percentage of their income. This has become increasingly so as many people living in Western Australia are beginning to feel the impact of recent rises in utility costs.

More and more people are finding it difficult to pay their utility bills and many often end up in arrears to service providers. This may result in restriction of water supply or disconnection from energy services. Some are facing such significant hardship that they are under-consuming, which can have negative health and wellbeing impacts, as we have seen this winter.

The demonstrated consequences of limited or no access to essential services such as water and energy include deterioration in physical health, significant psychological impacts and exclusion from education, employment and the life of the community. The declining affordability of essential services is causing some people to consume less than they need to for fear of the cost. The issue of under-consumption of essential services such as electricity is a major one. It forces us to address the hidden numbers of people who are compromising their health and wellbeing because they can't afford to use as much energy as they need.

***The issue of under-consumption of essential services such as electricity is a major one. It forces us to address the hidden numbers of people who are compromising their health and wellbeing because they can't afford to use as much energy as they need.***

The Economic Regulation Authority's *2008/09 Annual Performance Report Electricity Retailers* shows that approximately 70,000 households struggled with the affordability of their electricity bill in the past year. The report also shows that 4, 803 residential customers were disconnected from their electricity supply for failure to pay a bill.<sup>23</sup>

This spike in financial hardship following consecutive years of electricity tariff increases demonstrates that many customers are unable to cope with such extreme price rises. Electricity tariffs increased again in 2009/10 by an accumulative total of 18.25% (7.5% and 10%). This increase is in addition to a 30% increase in gas tariffs and a 10% increase in water consumption. These costs will continue to increase in 2010/11 according to the *WA State Government's 2010/11 Budget – Economic and Fiscal Outlook*.

***The demonstrated consequences of limited or no access to essential services such as water and energy include deterioration in physical health, significant psychological impacts and exclusion from education, employment and the life of the community.***

This paper provides a series of figures which show essential service cost increases over the past five years, and potential increases for the next five years.

Table 4 indicates the increase in costs from July 2009 to July 2010. Estimate projections to July 2014 are shown in Table 5.

***The figures indicate an increase of \$329.93 (or 27.3%) in utility costs from July 2009 to July 2010. From July 2010 to July 2014, we could see a possible increase of \$1,001.84 (or 44.26%).***

Rates of consumption in the WACOSS household model are derived from assumptions used in the Department of Treasury and Finance's representative household 2010/11 (assumptions have been back cast to 2009 to reflect real increases in utility costs).<sup>24</sup>

- Electricity is calculated on an assumed consumption rate of 6, 067kw per annum.
- Gas is calculated on an assumed consumption rate of 14.6 gas units per day.
- Water is calculated on an assumed consumption rate of 300kl per year.

**Table 4: Cost of Essential Services July 2009 – July 2010**

Utility	July 2009	Increase	July 2010
Electricity	\$1186.47 <sup>+</sup>	\$216.83	\$1,403.30 <sup>*</sup>
Gas	\$578.65 <sup>++</sup>	\$40.51	\$619.16 <sup>**</sup>
Water - Usage	\$174.31 <sup>+++</sup>	\$66.59	\$240.90 <sup>***</sup>
<b>Total</b>	<b>\$1939.43</b>	<b>\$323.93</b>	<b>\$2263.36</b>

\* Calculated from Synergy Home Plan (A1) tariff (supply charge and consumption), as of 1 July 2010, [http://www.synergy.net.au/at\\_home/prices.xhtml](http://www.synergy.net.au/at_home/prices.xhtml)

\*\* Calculated from Alinta Gas Coastal [Metropolitan] Region Tariff (supply charge and consumption) as of 1 July 2010, <http://www.alinta.net.au/gas-pricing-fees/index.php>

\*\*\* Calculated from Water Corporation 2010-2011 Rates and Charges - Metropolitan Residential, 'meters read from July-December 2010', accessed 2 August 2010, [http://www.watercorporation.com.au/A/accounts\\_rates\\_metro\\_res.cfm](http://www.watercorporation.com.au/A/accounts_rates_metro_res.cfm)

<sup>+</sup> Back cast from 1 July 2010 cost, according to 7.5% increase on 1 April 2010 and 10% 1 July 2010<sup>25</sup>

<sup>++</sup> Back cast from 1 July 2010 cost, according to 7% increase announced 8 March 2010<sup>26</sup>

<sup>+++</sup> Back cast from 1 July 2010 cost, according to average increase in consumption tariffs of 38.2%<sup>27</sup>

**Table 5: Future Pricing Scenario**

Utility	July 2011	July 2012	July 2013	July 2014
Electricity <sup>+</sup>	\$1,403.30	\$1,716.24	\$1,812.35	\$1921.10
Gas <sup>++</sup>	\$662.50	\$708.88	\$758.50	\$811.60
Water – Usage <sup>+++</sup>	\$313.80	\$386.70	\$459.60	\$532.50
<b>Total</b>	<b>\$2,379.60</b>	<b>\$2,811.82</b>	<b>\$3,030.45</b>	<b>\$3,265.20</b>

<sup>+</sup> Based on assumed electricity tariff increases published in *Economic and Fiscal Outlook*, 2010, p. 233 (no further increase before 1 July 2011; 23% increase in 2011-12; 5.6% increase in 2012-13; and 6.0% increase in 2013-14)<sup>28</sup>

<sup>++</sup> Based on 7% increase per annum, consistent with 7% increase in 2010/11 announced by Government of Western Australia 8 March 2010<sup>29</sup>

<sup>+++</sup> Based on recommendation for Water Usage Tariff increases in Perth to 2013/14 within *ERA Inquiry into Tariffs of the Water Corporation, Aqwest and Busselton Water*, 14 August, 2009, p. ii

**Notes:**

- Figures used in WACOSS' Future Pricing Scenario illustrate likely significant increases in the cost of essential services to 2013/14 based on currently available information. These figures are not intended to represent the position of either the Government of Western Australia, or the Economic Regulation Authority, from whom the information has been derived.
- The above utility charges apply to Western Australians living in rental accommodation and as such exclude the Water Service Charge, Waste Water and Drainage charges. These charges apply to the owner of the home. According to the Department of Treasury and Finance's representative household (Discussion), the Water Service Charge for home owners is set to decrease by 6.9% to \$186.25 in 2010/11, whilst Waste Water will increase by 4.0% (to \$552.24) and Drainage charges will rise by 4% (to \$90.40).<sup>30</sup>

## Housing

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Safe, affordable and accessible housing is a basic human right. A stable home environment provides people with a base from which to access employment, basic amenities and community services. Housing is vital in protecting individuals and families from disadvantage and social exclusion.

It is reported that lower income renters in housing stress often deprive themselves of basic goods and services in order to meet rental repayments, including meals and adequate health and/or dental care.<sup>31</sup>

It is becoming increasingly difficult for many low-income West Australians to secure and maintain rental accommodation, let alone purchase a home of their own.

***The Council of Australian Governments (COAG) Reform Council's National Affordable Housing Agreement (NAHA): Baseline performance report for 2008-2009 stated that more than one on three low-income households were in rental stress – that is, paying more than 30% of their income in rent. Nationally, only 3.0% of homes were considered affordable to low-income households<sup>32</sup>.***

The WACOSS Household Model uses a scenario of a four person household renting a three bedroom home.

Real Estate Institute of WA (REIWA) data shows that from 2007 to 2009, the metropolitan median weekly rent rose from \$290 to \$370, an increase of \$80, or 27.5%. For the past year that average rate has been stable, though it has varied widely from region to region. The vacancy rate has improved from 2.9% in 2009 to 4.3% in 2010.<sup>33</sup>

It is important to consider that these figures are averages, and depending on where they live, many households pay well above these amounts. While the average has been stable, the comparison of nine selected low-income suburbs shows that many metropolitan areas are experiencing increases.

Table 6 shows examples of the difference in median metropolitan rental prices from June 2009 to the June 2010.

The WACOSS Household Model scenario is based on metropolitan prices and does not take into account rental accommodation costs for regional WA. Table 7 shows comparative weekly rental price increases over the past year for areas such as Broome, Albany, Kalgoorlie and Bunbury, to indicate the difference to metropolitan regions.

High growth areas in regional WA have much higher rents, particularly those with a high level of resources sector activity, such as Karratha, Kununurra and Port Hedland.

Port Hedland - \$1,200 per week  
Karratha - \$1,600 per week  
Busselton - \$300 per week<sup>34</sup>.

**Table 6: Metropolitan Rental Accommodation - June 2007 to June 2010**

<b>Suburb</b>	<b>Median rental June 09</b>	<b>Median rental June 10</b>	<b>12 month increase</b>
Perth metro median	<b>\$370</b>	<b>\$370</b>	<b>nil</b>
<b>Price movements across nine selected low-income suburbs:</b>			
Armadale	\$285	\$290	<b>\$5</b>
Bentley	340	380	<b>\$40</b>
Calista	\$260	240	<b>-\$20</b>
Coolbellup	\$335	325	<b>-\$10</b>
Medina	\$250	250	<b>nil</b>
Midland	\$300	\$310	<b>\$10</b>
Midvale	\$300	310	<b>\$10</b>
Rockingham	\$280	295	<b>\$15</b>
Shoalwater	\$285	300	<b>\$15</b>

(REIWA Perth Suburb Rental Data [www.reiwa.com.au](http://www.reiwa.com.au))

**Table 7: Regional Rental Accommodation - June 2009 to June 2010**

<b>Location</b>	<b>Median rental June 09</b>	<b>Median rental June 10</b>	<b>12 month increase</b>
Mandurah - Murray	\$295	\$290	<b>-\$5</b>
Greater Bunbury	\$300	\$300	<b>Nil</b>
Geraldton – Greenough	\$320	\$320	<b>Nil</b>
Kalgoorlie – Boulder	\$360	\$300	<b>-\$60</b>
Albany	\$280	\$280	<b>Nil</b>
Broome	\$615	\$550	<b>-\$65</b>

(REIWA Property Market Indicators [www.reiwa.com.au](http://www.reiwa.com.au))

## Transport Fuel

The challenges for improving the mobility of Western Australians are significant in this state. The metropolitan area covers a great distance with very low density, making it difficult to serve with public transport, causing a high reliance on private vehicle use.

Additionally, the great size of the state requires people to travel vast distance across rural and regional Western Australia, to access goods and services and maintain their livelihoods.

For low-income households in Western Australia, the challenges are even greater, with many using older, cheaper vehicles with lower fuel economy, less reliability, and higher running costs.

In light of this, the price of fuel is a significant contributor to the overall cost of living.

Table 8 indicates that while the cost of fuel has remained fairly steady from 2007 to 2010, the weekly average expenditure in the metropolitan region increased by \$1.80 per week from 2009 to 2010, and \$4.53 per week in non-metro regions. Following a substantial decrease in fuel costs from 2008 to 2009, the increase in the past year is likely to impact negatively on households absorbing other cost increases.

**Table 8: Average Price for ULP in all Regions from June 2009 to June 2010**

Date	Metro Average (c/L)	Increase on previous (c/L)	Avg metro cost p/week (40L)#	Non-metro average	Increase on previous (c/L)	Non-metro vs metro gap (c/L)	Avg non-metro cost p/week (80L)*
June 09	123.00		\$49.20	135.69		12.69	\$108.55
June 10	127.80	4.80	\$51.00	141.35	5.66	13.55	\$113.08
<b>12 month increase (09-10)</b>			<b>\$1.80</b>				<b>\$4.53</b>

### # Metro

Assumed Average Fuel Usage = 40L/week for approximately 40km/day (based on NRMA estimates of average use 15,000km per year and general estimate of fuel usage of 14km/L)

This will be higher for families who travel further each day

### \* Non-metro

Assumed Average Fuel Usage = 80L/week for approximately 80km/day (based on double metropolitan usage figures). Weekly fuel expenditure has risen by about \$43 over the past 5 years

This will be a lot higher for some families who travel regularly in the outer metropolitan area

(Fuelwatch by DOCEP [www.fuelwatch.wa.gov.au](http://www.fuelwatch.wa.gov.au))



## Food and Basic Essentials

The 2009-2010 year has seen modest increases in the cost of the food and basic essential items in the WACOSS Household Model basket. It is important to recognise that this does not reflect all the food and basic items a household is likely to need each week. Table 9 shows the price increases for a number of selected household items.

**Table 9: Comparison of Perth Average Retail Prices of Selected Items<sup>35</sup>**

	2007	2008	2009	2010
<b>Dairy products</b>				
Milk (2 litre)	3.13	3.57	3.22	3.16
Cheese, processed, sliced, (500g)	4.87	5.26	5.21	5.19
Butter (500g)(a)	3.18	4.67	4.38	3.94
<b>Bread and cereal products</b>				
Bread white loaf, sliced (650g)(b)	3.04	3.25	3.43	3.28
Flour, self raising (2 kg)	4.52	3.8	3.95	3.66
Rice, long grain (1 kg)	2.25	2.64	2.90	2.97
<b>Meat and Seafood</b>				
Loin chops (1 kg)	14.83	18.53	19.75	20.40
Chicken, frozen (1 kg)(d)	4.54	6.05	6.31	6.17
Bacon, middle rashers (250 g pkt)	5.16	5.36	6.62	9.79
Sausages (1 kg)	6.16	6.81	6.52	6.70
<b>Fresh fruit and vegetables (e)</b>				
Oranges (1 kg)	4.14	3.37	3.97	3.79
Potatoes (1 kg)	2.13	2.62	2.73	2.60
Tomatoes (1 kg)	4.9	4.2	3.88	4.18
Carrots (1 kg)	1.44	1.59	1.67	1.76
Onions (1 kg)	2.00	2.12	2.46	2.27
<b>Processed fruit and vegetables</b>				
Peaches (825 g can)	3.45	3.6	3.79	3.73
Pineapple, sliced (450 g can)	1.96	2.04	2.18	2.23
Peas, frozen (500 g pkt)	1.73	1.91	2.13	2.09
<b>Other food</b>				
Eggs (1 dozen)(d),(f)	4.69	4.76	4.60	4.35
Sugar, white (2 kg)(d)	2.89	2.85	2.87	3.28
Jam, strawberry (500 g jar)	3.18	3.4	3.34	3.46
Teabags (180 g pkt)	3.71	3.99	4.12	4.33
Coffee, instant (150 g jar)	7.3	7.81	8.25	8.11
Tomato sauce (600 ml)	1.74	1.91	2.22	2.28
Margarine, poly-unsaturated (500 g)	2.81	3.04	3.25	3.25
Baked beans, in tomato sauce (420 g)	1.4	1.45	1.59	1.63
Baby food (120 g can)	0.95	1.09	1.19	1.25
<b>Household supplies</b>				
Laundry detergent (1 kg)	5.88	5.64	5.70	5.74
Dishwashing detergent (450 ml)	3.39	3.60	3.31	3.36
Facial tissues (pkt 180)	2.24	2.13	2.22	2.17
Toilet paper (8 x 190 sheet rolls)	6.72	6.27	6.91	7.00
Pet food (400 g)	1.13	1.08	1.16	1.30
<b>Total</b>	<b>\$121.46</b>	<b>\$123.76</b>	<b>\$135.83</b>	<b>\$139.69</b>

## Conclusion

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The past year has seen some easing in cost of living pressures compared to previous years.

The easing in the pace of some price rises has reflected the economic downturn and associated reduced inflationary pressures in the economy. However, not all key goods and services have reflected this easing. Most evidently, the cost of essential services has continued to increase throughout the downturn.

Those who were able to maintain full employment through the downturn would have benefited from some of the easing in costs, better able to manage this year's budget compared to last. Increases to the minimum wage would also have impacted greatly on a person's ability to keep pace with increases in the cost of living.

WACOSS has always had an interest in ensuring that wages for employees keep pace with the cost of living and community standards. We must ensure that minimum wages are adequate, as they are a vital means of protecting low-income workers from poverty. The wage earned by full time minimum wage earners should be sufficient to ensure they have the capacity to meet their basic living costs, while living with dignity and respect.

However, it is also crucial to acknowledge the large numbers of people who found themselves unemployed and underemployed as a result of the economic downturn. These people would have been under immense pressure to keep up with these rising costs. There are currently over 56,000 unemployed West Australians<sup>36</sup>, while an estimated 80,000 are underemployed<sup>37</sup>.

Coupled with the lagging effects of the global economic downturn and the uncertainty that still persists, it is evident to see that many families risk rapid and sustained hardship as they try to keep pace with escalating living costs. Families that may otherwise have been able to avoid crisis now face a number of immense challenges.

We also know that many low-income families not represented by this model, particularly those outside of the workforce, earn below minimum wage and still have to absorb these cost pressures.

The latest household income and distribution survey<sup>38</sup> states that Australia-wide, approximately 3.7 million people rely on government pensions and allowances as their primary source of income. Conservatively we could estimate that approximately 350,000 are in WA. These 350,000 people face a great risk of falling into poverty and debt cycle, and are much less able to absorb increases in the cost of living.

*Figures show that from 2009 to 2010, expenses for the WACOSS Household Model have increased by approximately \$16 per week, or 2.33%. During the same period, income levels for minimum wage earners in WA have increased by \$45 per week, or 5.37%.*

*In a 12 month period, the family's disposable income has increased by \$29 per week, or 19%.*

# Endnotes

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- <sup>1</sup> ABS. (2010). Labour Market Statistics Report 6105.0.
- <sup>2</sup> ABS. (September 2009). Underemployed Workers. 6265.0. (p.23). See [http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/0234F5869C8CAAC0CA2576D20013A485/\\$File/62650\\_sep%202009.pdf](http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/0234F5869C8CAAC0CA2576D20013A485/$File/62650_sep%202009.pdf)
- <sup>3</sup> ABS Household Income and Income Distribution. 6523.0. See [http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/32F9145C3C78ABD3CA257617001939E1/\\$File/65230\\_2007-08.pdf](http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/32F9145C3C78ABD3CA257617001939E1/$File/65230_2007-08.pdf)
- <sup>4</sup> ABS Household Income and Distribution Survey 6523.0. See <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6523.0>
- <sup>5</sup> Trade and Labour Council WA (TLCWA) submission to the State Wage Case 2009. See <http://www.wairc.wa.gov.au/WageCase/SWC2009/Incoming%5CSubmission%20of%20TLCWA%20050509.pdf>
- <sup>6</sup> ABS Census 2006
- <sup>7</sup> ABS Census 2006
- <sup>8</sup> Salvation Army Australia Media Centre. 28 May 2010. See [http://www.salvationarmy.org.au/about-us\\_65047/media-centre/current-media-releases/new-survey-rsa-2010.html](http://www.salvationarmy.org.au/about-us_65047/media-centre/current-media-releases/new-survey-rsa-2010.html)
- <sup>9</sup> ABS Labour Market Statistics. 6105.0. (p.63). See [http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/549DB4631937A23DCA2577610014F952/\\$File/61050\\_july%202010.pdf](http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/549DB4631937A23DCA2577610014F952/$File/61050_july%202010.pdf)
- <sup>10</sup> ABS. (2010). Labour Market Statistics Report 6105.0.
- <sup>11</sup> ACOSS Community Sector Survey 2008. See [www.acoss.org.au](http://www.acoss.org.au)
- <sup>12</sup> ABS Consumer Price Index 2010. See <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>
- <sup>13</sup> 2007and2008 min wage figures derived from: [http://www.commerce.wa.gov.au/labourrelations/Content/Wages%20and%20Leave/Minimum%20wages%20and%20conditions/Minimum\\_wage\\_rates.html](http://www.commerce.wa.gov.au/labourrelations/Content/Wages%20and%20Leave/Minimum%20wages%20and%20conditions/Minimum_wage_rates.html) - 2009 decision submitted by the WAIRC on June 11 2009, see <http://www.wairc.wa.gov.au/>
- <sup>14</sup> Rate calculated using the Centrelink Family Assistance/Child Support Estimator. See [http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/online\\_services](http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/online_services)
- <sup>15</sup> ABS. Average Retail Prices of Selected Items, Eight Capital Cities, 2007, 2008, 2009. See <http://www.abs.gov.au/ausstats/abs@.nsf/PrimaryMainFeatures/6403.0.55.001?OpenDocument>
- <sup>16</sup> REIWA Property Market Indicators, Perth Median Rent. See <http://reiwa.com.au/res/res-marketindicators-display.cfm>
- <sup>17</sup> Average price for Perth metropolitan area. Calculated using historical data. See [www.fuelwatch.wa.gov.au](http://www.fuelwatch.wa.gov.au)
- <sup>18</sup> ABS. TABLE 14. CPI: Group, Sub-group and Expenditure Class, Percentage change from corresponding quarter of previous year by Capital City. (Health) 2007, 2008, 2009. See [http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0?opendocument?utm\\_id=HL](http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0?opendocument?utm_id=HL)
- <sup>19</sup> TABLE 14. CPI: Group, Sub-group and Expenditure Class, Percentage change from corresponding quarter of previous year by Capital City. (Household contents and services; childcare). See [http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0?opendocument?utm\\_id=HL](http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0?opendocument?utm_id=HL)
- <sup>20</sup> Electricity cost calculated from Synergy Home Plan (A1) tariff (supply charge and consumption), as of 1 July 2010, [http://www.synergy.net.au/at\\_home/prices.xhtml](http://www.synergy.net.au/at_home/prices.xhtml)
- <sup>21</sup> Gas cost calculated from Alinta Gas Coastal [Metropolitan] Region Tariff (supply charge and consumption) as of 1 July 2010, <http://www.alinta.net.au/gas-pricing-fees/index.php>

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<sup>22</sup> Water cost calculated from Water Corporation 2010-2011 Rates and Charges - Metropolitan Residential, 'meters read from July-December 2010', accessed 2 August 2010, [http://www.watercorporation.com.au/A/accounts\\_rates\\_metro\\_res.cfm](http://www.watercorporation.com.au/A/accounts_rates_metro_res.cfm)

<sup>23</sup> Economic Regulation Authority. *2008/09 Annual Performance Report Electricity Retailers*. February 2010.

<sup>24</sup> WA State Government Budget 2011/2012. Budget Paper number 3, p. 285

<sup>25</sup> 'Ministerial Media Statement: State Government announces increases in tariff arrangements', Colin Barnett, Peter Collier, *The Government of Western Australia*, 8 March 2010, accessed 2 August 2010, <http://www.mediastatements.wa.gov.au/Pages/default.aspx?ItemId=133210>

<sup>26</sup> *ibid*

<sup>27</sup> *2010-11 Budget*, 'Budget Paper No. 3: Economic and Fiscal Outlook', The Government of Western Australia, 2010, p. 245

<sup>28</sup> *2010-11 Budget*, 'Budget Paper No. 3: Economic and Fiscal Outlook', The Government of Western Australia, 2010, p. 233

<sup>29</sup> 'Ministerial Media Statement: State Government announces increases in tariff arrangements', Colin Barnett, Peter Collier, *The Government of Western Australia*, 8 March 2010, accessed 2 August 2010, <http://www.mediastatements.wa.gov.au/Pages/default.aspx?ItemId=133210>

<sup>30</sup> *2010-11 Budget*, 'Budget Paper No. 3: Economic and Fiscal Outlook', The Government of Western Australia, 2010, p. 245

<sup>31</sup> Terry Burke and Simon Pinnegar, AHURI, Research Paper 9, 'Experiencing the Housing Affordability Problem: Blacked aspirations, trade-offs and financial hardships', January 2008.

<sup>32</sup> COAG Reform Council. (30 April 2010). (p.xvi). *National Affordable Housing Agreement (NAHA): Baseline performance report for 2008-2009*.

<sup>33</sup> REIWA Property Market Indicators. See <http://reiwa.com.au/res/res-marketindicators-display.cfm>

<sup>34</sup> Regional Rent Data for March 2010. REIWA. See <http://reiwa.com.au/Art/Art-Public-View.cfm?PageUUID=6830ce5658492dfba3304f4a1f6a69a30667-19-Aug-2010-05:21:26:700&Id=12315>

<sup>35</sup> ABS. Average Retail Prices of Selected Items, Eight Capital Cities. June 2009.

See <http://www8.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6403.0.55.001Jun%202009?OpenDocument>

<sup>36</sup> ABS. (2010). Labour Market Statistics Report 6105.0.

<sup>37</sup> ABS. Underemployed Workers. 6265.0. See [http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/0234F5869C8CAAC0CA2576D20013A485/\\$File/62650\\_sep%202009.pdf](http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/0234F5869C8CAAC0CA2576D20013A485/$File/62650_sep%202009.pdf)

<sup>38</sup> ABS Household Income and Income Distribution. 6523.0. See [http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/32F9145C3C78ABD3CA257617001939E1/\\$File/65230\\_2007-08.pdf](http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/32F9145C3C78ABD3CA257617001939E1/$File/65230_2007-08.pdf)

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## NOTES

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