

**The Australian Bureau of Statistics**  
**16<sup>th</sup> series Australian Consumer Price Index Review**

**Submission to the Review**

**Pilbara Association of Non Government Organisations**

**12<sup>th</sup> March 2010**

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## BACKGROUND

The Pilbara Association of Non Government Organisations (PANGO) represents the majority of not-for-profit (NFP) community service organisations in the remote but vitally important Pilbara region of Australia. Our members provide community services for the Aboriginal and non-Aboriginal residents of the Pilbara that include support to youth, people with disabilities, older Australians and other groups who require housing, in-home care, counselling, drug and alcohol rehabilitation, employment and training and the range of health and welfare support found across Australia. Pilbara NGOs mainly operate out of four regional centres – Karratha, Port Hedland, Newman and Tom Price – but also provide services across large areas of WA.

The Pilbara is a fast growing, high economy, high inflationary region which produces so much wealth for the nation but little for its own region. Whilst the major political parties have benefited substantially from WA's economic boom, with around \$2.6 billion per annum in mining royalties from the Pilbara, the non government sector, which is the backbone of any community, delivering the majority of social services on behalf of the government, particularly in remote and regional areas such as the Pilbara, is struggling to survive. Evidence suggests as many as half the Non Government Organisations (NGOs) in the Pilbara are to some extent or other financially and operationally vulnerable and despite currently maintaining a high standard of services are always in danger of not being able to meet the financial and quality service standards expected of similar services in many other parts of Australia. Even the most effective and efficient NGOs in the Pilbara have problems relating specifically to their location in the Pilbara. These include:

- Inadequate government funding to allow NGOs to bridge the gap between the well-above-urban costs of delivering services – as much as 30 per cent.
- Inconsistent funding with uncertainty of continuity or even CPI increases to existing grants despite the need to offer longer term contracts and additional compensation to keep staff.
- CPI that does not reflect the actual cost of living and operating in the Pilbara
- Lack of affordable housing
- Inability to attract and retain staff

## RELEVANCE OF THE CURRENT CPI TO THE NGO SECTOR IN THE PILBARA

The CPI applied to government funding, which is factored on the metro areas, does not reflect the actual increasing cost of living and operating in the regional Pilbara. NGOs have either National CPI or Western Australia's CPI applied to their funding depending on the source of the government funding. Moreover, some service agreements only have CPI applied to the salary costs with no CPI applied to operational costs. Of

particular concern is the decision made by the Department of Health that all Sexual Assault Resource Centres (SARC) in WA will not receive the CPI indexation adjustment for the current financial year 2009/10 (despite the payment of CPI forming part of the funding service agreements). This will result in a further reduction in funding for these essential services, many of which are already not sustainable under the current inadequate level of funding, leading to possible closure of some services. This anomaly in CPI paid to NGOs delivering government funded services, as well as the complete removal of CPI in some cases, has placed the sustainability of many non government organizations on shaky ground.

The WA State Government has a policy related to CPI "WA Government Indexation Policy for the Non-Government Human Services Sector"<sup>1</sup> which states the following:

"The indexing of funding agreements with Non-Government organisations recognises the reality of escalating costs and the need to sustain the long term viability of services that meet criteria relating to value for money, continuity of service, demonstration of a history of good performance, evidence of good practice, and fit with the strategic directions of Government."

"The payment of appropriate indexation to meet cost increases in the normal business cycle enables Non-Government organisations to keep pace with cost increases in the delivery of agreed outputs or outcomes. Without appropriate levels of indexation, Non-Government organisations are faced with reduction in outputs which may in turn adversely impact upon the continuity of current critical human services, such as accommodation support, upon which very vulnerable people depend."

However, the WA State Government Departments are not even adhering to their own policy in terms of the application of CPI to government funding to the NGO sector.

The CPI in Western Australia has been higher than the National CPI for many years. The National CPI is 2.2% while the WA CPI is 4.35%. Furthermore, the regional Pilbara CPI is estimated to be a lot higher than the State CPI. The Department of Local Government and Regional Development Regional Prices Index November 2007 stated that, in terms of the overall basket of goods and services across the region, the Pilbara rated highest with costs 20.1% higher than Perth. It is likely that these costs are considerably higher now given the continual escalation in prices in the Pilbara.

In the face of continual escalating costs in the Pilbara that are much higher than Perth, the application of National or State CPI to funding given to NGOs for government funded services is no longer relevant or sustainable. Unless the Government acknowledges the spiraling costs associated with living and operating in the Pilbara and provides adequate and secure funding, including the application of a regional CPI for ALL government funding that takes into consideration actual costs in the Pilbara, to ensure the viability and

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<sup>1</sup> WA Government Indexation Policy for Non Government Human Services Sector, May 2004

sustainability of the NGOs in the Pilbara, there will be a high price to pay in the long term with a continual reduction and loss of services, leaving already vulnerable and disadvantaged communities with fewer support services to help them cope with the increasing pressures of daily life.

#### RECOMMENDATIONS

PANGO welcomes the 16<sup>th</sup> Series Australian CPI review, which includes important issues such as the geographical coverage of the CPI and the need for regional indexes. However, in view of the above, PANGO would like to make the following recommendations:

- A regional CPI should be introduced that reflects the actual cost of living and operating in the regions.
- The regional CPI should be applied to ALL funding given to the NGO sector for government funded services (regardless of whether it is Commonwealth or State funding).
- Forums should be conducted in the regional areas to seek the views and recommendations of people living and working in these areas. This is crucial given that these people are the ones disadvantaged by the current system of calculating and applying CPI. As long as forums are only conducted in the capital cities, they will not provide a true representation of the views and concerns of all Australians.