

Australian Bureau of Statistics

16th series Australian Consumer Price Index Review

Submission to the Review

Pilbara Development Commission

26 March 2010

The Pilbara Development Commission is a statutory authority established under the Western Australian Government's *Regional Development Commissions Act (1993)* to assist the Pilbara region's economic and social development.

The Pilbara region encompasses a land mass of 507,986 square kilometres of the north west of Western Australia from the Indian Ocean to the Northern Territory border. The region is thought to be 2.8 billion years old and has significant indigenous populations whose ancestors were the creators of a globally significant field of petroglyphs on the Burrup Peninsular. It has highly diverse populations of people and diversity and disparity in life circumstances and opportunities. The Pilbara also has three important national parks and significant marine environments.

The region is rich in natural resources and is a significant contributor to national and state wealth. It is the nation's most prolific area for the mining of iron ore and other minerals; and the location of significant oil and gas industries and export ports of national significance.

Background

The Commission seeks to contribute to the CPI review on the basis of its unique position within the region and having a privileged overview and understanding of the regional impacts of CPI.

The Pilbara is a region which could be subdivided into:

- high industry with low unemployment and high wages and consumerism;
- remote and sparsely populated areas with scattered extremely poor indigenous settlements;
- towns which are largely 'suburban' in nature with populations engaged in typically urban patterns of work and consumption.

1 SUMMARY

1.27a The collection of spatial measurements in the CPI is critical to the relevance of the CPI across the nation. It is of concern that this does not already occur and that deficiency could be seen as a contributing factor in the consistent decline of rural and remote Australian services and supports. This in turn contributes to the decline of populations in those areas as the ability to provide services and supports suffer the drag of eroding value of funds due to the regions cost of inputs.

1.27b Regional indexes could be used to ensure that substantive equity could be built into funding arrangements for grants for service provision in high cost areas. This would aid in ensuring that the provision of service is adequate in rural and remote areas of the country and assist in halting Australia's rural and remote populations declining into third world standards and assist in turning that around.

Taxation rebates for people living and working in rural and remote regions should be assessed utilising the CPI to enable them to better reflect and acknowledge the cost for them. Application of regional CPI to the Zone Allowance Rebate, claimed through the ATO annual return, would allow it to reflect overarching costs. Application of the regional CPI to District Allowance, which many people receive in their employment, could better target the movement of costs over time and location.

2 PRINCIPAL PURPOSE OF THE CPI

2.23a The use of the acquisitions conceptual basis is clearly the most straightforward way in which to measure the CPI however, if the ABS is broadening the basis of the CPI data there would be an argument, particularly in this region, that the most equitable way in which to measure CPI would be the Cost of Use methodology.

It may be that there needs to be some of both of the methods applied particularly to the cost of accessing services and it may be that a limited review of both methodologies could be undertaken as a test of the veracity of each, particularly when viewing those across the spatial data.

2.23b The production of supplementary indexes would seem to be a very important part of the CPI data and collections and particularly if the ABS broadens the works to include spatial data which can then also be drawn out as specific reports to regions. If it can then also be cross referenced against population sub-groupings such as those in the PBLCI, it would be invaluable in the planning of and funding for services and supports. This would surely be of exceeding interest to government as well as to the general providers and funders of services, supports and commodities.

3 COMPILATION FREQUENCY OF THE CPI

3.13a Quarterly release of the CPI information would seem adequate for most purposes.

3.13b Depending on the call for monthly figures and the readiness of ability to provide limited 'snapshots' either of a spatial or sub-grouping of data there may be an argument for these to be produced on a cost recovery basis.

However, if the ABS is to increase its measurements and increase the scope to include spatial data then it may be that in the first instance these are provided only quarterly in the early stages as there will be some bedding down required to refine collection and hence it would seem too costly particularly in the establishment phase.

4 EVALUATION OF THE DEPOSIT AND LOAN FACILITES

4.14a Indirectly charged financial services should be measured and are appropriate to include in the CPI.

4.15b Often in regions such as the Pilbara there is greater difficulty in obtaining services of all types including financial services and where they are available the ability to access them is often unfairly harder due the metro-centric view of what the value of remote and rural goods and services are worth as opposed to their actual value or cost and this is particularly true of housing and businesses.

5 MAINTAINING THE RELEVANCE OF THE CPI

5.18a While there is no doubt that Australia does exceedingly well in the collection and publishing of data for the CPI there are sound arguments as to the need for much more frequent weighting updates and it could be argued that this needs to be undertaken more often also than three years.

5.18b Alternative weight source should be considered particular where there is inclusion of new items such as the spatial and other sub-groupings and particularly in the early years.

5.18c While it is clear there is a significant need to remain current and contemporary in the collection of data for the CPI it is also true that the base line of non-negotiable collection items remain the same as in many remote and rural locations the level of availability of 'trend items' is significantly less, as is the disposable income for purchasing. In moving to a broader, spatial data inclusion this could prove to be quite critical to the veracity of the measures taken.

5.18d Improvement of the measurement of services in the CPI should be a continual focus otherwise the veracity of the work will be in question and the purposes and uses for it will be in danger of being diminished.

5.18e It is important that the adjustment methodology is robustly applied and equally robustly reviewed. This is particularly true in relation to regions such as the Pilbara which has high cost for low quality in comparison to metro-centric views of the cost quality equation. Hence it is of particular importance in the spatial measures.

6 COMMODITY CLASSIFICATION

6.10a The Commission would raise that this is a region where significantly less people are home owners and significant numbers of housing stock are owned by industry, investors or by government, depending where within the region the sub-group is being measured. Hence, it is important that the issues of the cost of housing and utilities in the region is appropriately captured in the CPI data particularly in regard to spatial and sub-groupings within the region. It is the single most significant cost in the region and is also the most significant in terms of movement in pricing.

Additionally, the cost of utilities with the housing is also a significant impact. The third most significant is the cost of transport mostly in relation to fuel, vehicle purchase, running and maintenance cost due to the lack of public and alternative transport options.

7 ANALYTICAL SERIES

7.28a Should the ABS now include the spatial measurement there may be a need to change some of the forms of the analytical series and particularly if it becomes clear that there arguments for the inclusion of cost of use collections in relation to specific items, in addition to the acquisition data.

8 OTHER ISSUES

8.11a The collection of spatial measurements in the CPI is critical to the relevance of the CPI across the nation. While it may be a considerable expense to undertake those measures there are equally profound arguments as to why that should be occurring not the least of which is the need to ensure equity across the country.

This is particularly relevant to the Pilbara region as it is a region which contributes significantly to the wealth of the nation and the state of Western Australia. It is classified in the ARIA index as very remote. However its populations are disparate with towns of high wage earners engaged in industry living side by side with people who are Pensioner and Beneficiary recipients.

People living in this region, as well as those who work here while residing elsewhere, can claim back a Zone Allowance (assuming that they have earnings and complete a tax return). The original intent was to compensate people for living and working in the region and aiding the growth and prosperity of the nation. There is also in those Industrial Relations Awards which remain in force, the payment of a District Allowance paid with wages, in this a other similar regions. Neither of these currently reflect the actual additional cost of living in the region and for those people whom are in receipt of a Pension or other government income support payment it is totally unrealistic in relation to the costs of living.

It should be considered that in moving toward a substantive equity to the nation's citizens that spatial measures should be a major factor in the application of incomes support, Zone Allowances and District Allowances as linked to the regional CPI.

In this way there would be one concrete mechanism which could assist in addressing the constant shift to metropolitan sprawl and the ongoing and chronic decline in rural areas and the development of what are currently considered to be remote regions of the country.

However, the issue will be for the ABS to ensure that there is genuine integrity in the data collected from a region such as the Pilbara as there were significant issues with the 2006 Census data collection which have had a significant deleterious affect to the entire region. It has affected the region's ability to attract and retain sufficient funding, services and supports to meet current need and has had a catastrophic effect on attracting resources to meet demonstrable future demand.

8.11b Regional indexes could be used to ensure that substantive equity could be built into funding arrangements for grants for service provision in high cost areas. This would aid in ensuring that the provision of service is adequate in rural and remote areas.

While it is noted that the review document contends that the current collection of data for the CPI covers 64% of Australian households it is certainly not representative of the all Australians.

There are known cost savings in service provision where there is a mass of population and that certainly favours the east coast of Australia and metropolitan and large rural areas when taking consideration of how funding is applied to service provision. However, this is precisely where services fail to be adequately funded for the provision of services when they funded as a per head rather than being funded on a cost of service basis in regional areas.

All of the additional cost of inputs due to the distance from the metropolitan centres is unfunded. Hence, the funding must be diverted from quality and quantity of service or

support to cost of inputs. Thus, the service is diluted and lessened simply by being located outside of a metropolitan region. In each subsequent year of a contract for provision it is further eroded as the only growth in funding is as provided through the CPI increase annually which as we know, reflects only the metropolitan city mean average or the nation CPI not on a geographically appropriate CPI or specific regional CPI.

The Western Australian, Department for Regional Development and Lands website shows works which were last completed in 2007 (attachment 1) however, gives a clear indicator of cost disparity within Western Australia. This study also did not measure some significant cost of use items which could be argued should be included such as the cost of obtaining the services of plumbers and other trades people and also did not include the cost of fuel and vehicle purchase and ownership in a region where there is very, very limited public transport.

The Commission contend that these are critical factors which must be addressed to ensure that the region's has the ability to continue to provide the nation and state with significant wealth into the future.

End Submission.

<http://rdl.wa.gov.au/Content/Publications/StatInfo/RegionPricesIndex.aspx>

