

## *MEASURING THE COST OF LIVING IN REGIONS*

WIMMERA MALLEE ABC INTERVIEW – FRIDAY, 5 FEBRUARY, 2016

Matt Tribe and Dr. Greg. Walsh, Chairman, Champions of the Bush

Background.

The Victorian Coalition has launched a program called: “Cost Watch”. It is aimed at stimulating a conversation about the cost of living (COL) in Victoria.

The interviewer was ABC announcer, Matt Tribe (MT). The Interview was arranged by ABC Producer, Danielle Park ([park.danielle@abc.net.au](mailto:park.danielle@abc.net.au)). Greg Walsh (GW) was the interviewee.

Below is a paraphrased summary (not word for word) of a more extensive interview.

Interview.

Q. MT Do you see any value in the “Cost Watch” conversation

A. GW If the conversation is about measuring the real COL and how this varies from one region to another and between city and country, than the conversation will be worthwhile. If however, the main aim of the program is simply political it is unlikely to be worthwhile.

Q.MT Why is it important to measure the COL across regions

A. GW The CPI is the most common measure of the COL. It is computed quarterly by the ABS and it is based on surveys of the price of a basket of goods purchased by wage earning householders including food, housing, clothing, household supplies and equipment and miscellaneous other products. The problem with this indicator from a regional point of view is that it assumes that the COL is the same from coast to coast across the nation and between city and country.

Q. MT So are you critical of the CPI as a measure of the COL.

A. GW My criticism of the CPI is that it is not a sufficiently sophisticated measure of the COL. It doesn't take into account the substantial variations in the COL between regions in Australia in say housing, utility service products like drinking or irrigation water, or the real costs of medical services. The CPI can also be criticised on the grounds that it doesn't take account of the quality of the goods or services provided and it can be biased depending on the basket of goods and services being measured. Nevertheless, it is relied upon as a key determinant of government policy and action and in the management of the economy. So as a consequence, what might seem to be good national economic management program often becomes a poor one when it impacts on particular regions because the COL in those regions is quite different to the national CPI measures.

Q. MT Give me some examples of variations in the COL across regions and between City and country. .

A. GW. Well let's take housing costs, for example. My most recent information is that the average price of housing in the Wimmera Mallee is less than the State average for country Victoria and far less than for Melbourne. The most recent figures I have are:

Horsham: \$215,000

Mildura: \$230,000

Country Victoria: \$285,000

Melbourne: \$510,000

Q. MT. But what about Council Rates. They can be high in some regions

A. GW. Yes, despite the lower cost of housing in the Wimmera Mallee, council rate costs can be as high in some parts of the Wimmera Mallee as they are in Melbourne. This reflects the high costs of delivering local government services to a very dispersed population. The same point applies to many other country regions.

Q. MT. What can be done to improve our cost of living measures and better control the COL?

A. GW. In addition to measuring the COL on a regional basis, part of the long term answer is to decentralise and regionalise the administration of certain state-wide services. For example, some years ago the supply of rural water was administered by a central authority based in Melbourne, called the Rural Water Commission. Rural water is now administered by regionally-based authorities which have a much greater capacity to adjust water prices to the way the actual cost of production and water delivery occurs in each region. So we now have a situation where the cost of drinking and irrigation water varies considerably from one region to the next depending on the cost of production and delivery in each region. For example, Urban Water Service charges for drinking water in the Wimmera Mallee are substantially higher than they are for the South Eastern Region of Melbourne. But Urban Water Usage charges are significantly less in the Wimmera Mallee than they are for the South Eastern Region of Melbourne. Then there are variations in usage charges in the Wimmera Mallee depending on whether the water is treated and depending on access to the Wimmera Mallee pipeline and so on. There are also significant differences in the cost of irrigation water between regional areas. For example, the cost of irrigation water in the Wimmera Mallee is substantially less than it is for the Bacchus Marsh – Werribee irrigation districts.

Q. MT. Is there interest in Government in regionalising more services

A. GW. Yes there seems to be. Some positive steps have been taken at Regional Development Victoria in this regard. .

Q. MT. What are some examples of how the real cost of living in regions varies from the nominal or price ticket cost.

A. GW. Access to medical services is a good example. A while back I needed specialist health care for a health problem and I received this in Ballarat. I live about 2 hours away from Ballarat. While the nominal cost and quality of the health services I received in Ballarat were comparable and as good as the services I could obtain in Melbourne, the real cost of these services for me was much higher. The real cost included the cost of a four drive, sometimes for a 15 minute consultation, and these costs include fuel, wear and tear on the car, 4 hours away from work etc. My experience is not uncommon and many in the Wimmera Mallee can relate to it. We need to ensure that these hidden costs are better measured when service provision is considered. The CPI does not measure them adequately. But there are hidden costs in Melbourne as well. Have you parked in Collins Street over recent times. The cost can be as high as \$50 or \$75 for just a few hours parking. Costs of this order don't apply, thank goodness, in Horsham or Warrnambool.

Q. MT. Does the cost of production vary between regions

A. GW. Yes it does. Take farming for example. Production costs on farms are heavily influenced by the season. Seasonal conditions are never uniform across the state or the nation. They can vary dramatically from one region to the next depending on rainfall etc. At Champions of the Bush we have a particular concern about the way rising energy costs are impacting differentially on manufacturing in regional areas. A conversation about the cost of production in regions would be worthwhile as well.

MT. Thank you.