

## EXECUTIVE SUMMARY

The Regional Prices Index is a Western Australian project undertaken as a joint initiative of the Department of Local Government and Regional Development, the Regional Development Council, and the nine Regional Development Commissions. The project commenced in 1998, and this report is the third in the series, based on the collection of data in November/December 2000.

The reason for undertaking the project was due to the regular demand by both private and public sector clients for information on the relative cost of goods and services in regional Western Australia.

The project identifies the difference in prices of approximately 500 goods and services (**the basket of goods** - see Appendix 2) between 21 regional locations and Perth (**Location Comparison** or spatial index). It is based on the premise of taking a person living in Perth, identifying how much it costs that person to buy a selection of commonly used goods and services, and comparing these costs against the price of purchasing the same goods at other locations around the State.

With the three years of data it is possible to identify the changes in prices of all goods and services from 1998 to 1999, and from 1999 to 2000 (**Annual Comparison** or temporal index) at 21 locations around the State. The third collection captures the impact of the Goods and Services Tax, which was introduced in July 2000. The rates for the wholesale sales tax and the GST are included in the regional and town summary tables in Sections 4 and 5.

The Regional Prices Index uses the same expenditure pattern and weights, adopted for the 12th series of the Consumer Price Index, to determine the most common/important purchases. Not all goods purchased are of equal importance to household budgets and therefore weights are assigned to all items in the basket, with the greater weights given to the more important/common items. For example, milk is bought more frequently than cheese or butter and has a weight to emphasise its greater importance to the dairy sub-group of purchases (see Appendix 3 for more information on weights).

Thus the index numbers that are generated for the basket of goods not only consider the price of the items but also their relative importance to household consumption.

The cost of the basket for Perth rose by +6.0% between November/December 1999 and November/December 2000 (**Annual Comparison**). This increase was similar to the increase for the CPI (Perth), which rose by +5.0% from December quarter 1999 to December quarter 2000.

Across regional Western Australia price increases for the basket of goods and services over the 12-month period to December 2000, ranged from +2.3% in the Great Southern to +5.6% in Goldfields-Esperance (refer to Map 2). Of the 21 towns used in the collection Kalgoorlie prices rose the most (6.1%) and Meekatharra by the least amount (2.1%). In the case of Kalgoorlie the price increases were driven by the Transport commodity group (cars, petrol, tyres, accessories etc), Tobacco and Alcohol and Recreation and Education (groups with larger increases and higher weights). Part of this increase can be explained by low prices in previous years rising to more common levels.

By contrast the South West increased by 4.7%, followed by the Peel, Gascoyne and Pilbara regions increasing by 4.6%, and the Kimberley and Mid West regions by 4.2%. Prices in the Wheatbelt increased by 4.1%.

The **Location Comparison** contrasts the cost of the basket of goods for each region and town to Perth. Because a common basket is used it is also possible to compare prices between regions and towns. Looking across the three years the relative pattern of costs has changed little. In general all regional prices have dropped very marginally relative to Perth in 2000. For example, the prices in the Kimberley were 14% dearer than Perth in 1998 and have decreased to 13.3% in 2000 (refer to Map 1). Given the general nature of the index and the fact that there is only three years of data the results should not be over emphasised. As in previous years the regions showing the highest prices compared to Perth are the Kimberley (+13.3% dearer than Perth), Pilbara (+11.3%), Gascoyne (+8.5%), Goldfields-Esperance (+6.4%).

These are followed by the Mid West (+4.1%), Wheatbelt (+3.0%), Great Southern (+2.9%) and the South West (+1.7%). The closest region in terms of prices to Perth is Peel (0.5%). The largest price change is with the Great Southern, which was +5.4% dearer than Perth in 1998, increasing to + 5.7% in 1999 and dropping to 2.9% in 2000. The Great Southern Region's prices are dominated by Albany prices, which declined from +5.5% in 1999 to +2.0% dearer than Perth in 2000. On investigation, a wide range of goods such as groceries, personal care products and meats and seafood, all of which are supermarket priced, have been effected by a transition to Perth parity pricing. In addition, there appeared to be a large number of goods on special during the 2 week pricing period and a range of non supermarket goods dropped slightly in price or simply did not increase in price as much as in Perth.

As in previous years the 21 towns used in the price collection varied considerably when contrasted to Perth. The dearest towns were Derby (+14.6%), Exmouth (+14.0%), Broome (+13.2%), Laverton (+13.0%), Kununurra (+12.7%), Port Hedland (+11.6%), and Karratha (+10.8%). These were followed by Dongara (+7.3%), Kalgoorlie (+6.8%), Carnarvon (+5.9%), Meekatharra (+5.2%), Katanning (+5.0%), and Esperance and Narrogin both on +4.4%. The Towns closest in price to Perth were Mandurah (+0.5%), Byford (+0.6%), Bunbury (+1.2%), Albany and Northam on 2.0%, Busselton on 2.9% and Geraldton on +3.8%.

In considering these figures it is important to remember that they are relative to Perth, which involves price movements in the regions/towns and also in Perth, thus its important to consider both locations when looking at any relative change. In general, although there has been a slight change in order, the dearest seven towns in 1998 are still the dearest seven towns in 2000, as are the cheapest seven.

The basket of goods and services is comprised of eight broad categories of items. In the case of the **Food** group, which includes groceries, meats, fresh and processed fruit and vegetables, meals out and takeaway food, prices changed over the twelve-month period ranging from a decrease in the Great Southern (-1.0%) to +8.3% in the Mid West (refer to Map 11). Food prices increased by +5.5% in Perth. The fall in food prices in the Great Southern has already been discussed and appears to be due to a range of supermarket specials and the policy move towards Perth parity pricing. Food prices in Geraldton rose by +11.4% due to a significant increase in take away food and meals out prices in 2000. When contrasted to Perth (refer to Map 3), Albany was -1.5% and Busselton was -0.8%, Northam +0.4%, Bunbury was +1.5%, Mandurah +1.7%, and Carnarvon +2.8%. The highest prices for food were found in Exmouth (+23.1%), Broome (+19.3%), Laverton (+18.7%), Dongara (+18.6%) and Derby (+17.4%).

The cost of **Clothing** largely was dearer in the regions than Perth. Kununurra (+27.6%), Exmouth (+23.8%) and Port Hedland (+22.2%) were the dearest centres, where as Mandurah (+6.7%) and Byford (+5.6%) were the closest in price to Perth (refer to Map 4). The largest annual price increases occurred in the Goldfields-Esperance region (+15.5%), where as prices in the Kimberley dropped over the 12 months (-1.5%) to November/December 2000 (refer to Map 12).

The cost of **Housing** increased between 1999 and 2000 from +1.1% in Goldfield-Esperance to +6.8% in the Kimberley (see Map 13). In contrast to Perth housing in Broome was +38.7% dearer, followed by Port Hedland (+33.5%), Derby (+30.9%) and Kununurra (+30.5%). Housing Prices in Bunbury were -0.1 cheaper than Perth, where as Geraldton, Esperance, and Narrogin were equal to Perth (refer to Map 5).

**Household Equipment and Operation** (includes electricity, bottled gas, furniture, appliances, kitchen utensils, cleaning equipment, tools, paper products (nappies etc), non durables (cling wrap), veterinary, pet food, postage services, telephone services, and consumer credit) changed in cost from 1999 to 2000 ranging across the State from -2.3% (decrease) in the Mid West to +1.6% in the Goldfields-Esperance region. Perth prices rose by 6.3% (refer to Map 14). In contrast to Perth (refer to Map 6), a number of towns proved to be marginally cheaper. For example Bunbury was -6.5% cheaper, Northam (-4.6%), Geraldton and Esperance -1.8%, followed by Dongara (-1.6%), Byford (-1.5%) and Mandurah (-1.3%). It should be noted that there are a number of the goods in this category where it was not possible to standardise on brand or model. As a consequence the price of the cheapest non-stick frying pan, the cheapest paint brush and queen-size beds were priced within broad pricing points.

New cars, fuel, tyres, spare parts and motoring charges combine to create the **Transportation** commodity group. Over the 12 months from November 1999 to November 2000 cost increases for the Transportation group varied from +4.0% in the Great Southern to +9.7% in the Gascoyne. Transport prices rose by 9.8% in Perth (see Map 15). In contrast to Perth (Location Comparison), the Peel region was -2.5% cheaper where as the Gascoyne was +14.6% dearer than Perth. Byford (-3.5%) and Mandurah (-2.4%) were the cheapest towns. Exmouth (+23.7%), Karratha (+12.0%), Laverton (+11.8%), Derby (+11.5%), Broome (+10.8%) and Carnarvon (+10.3%) were dearer than Perth (refer to Map 7).

Annual price increases for the **Tobacco and Alcohol Group** ranged from +3.2% for the Kimberley and +3.9% for the Gascoyne to +10.3% for the Mid West. Prices fell by -0.8% in Kununurra, and rose by +12.1% in Geraldton (refer to Map 16). The higher prices in Geraldton appear to be due to a large number of items on special in 1999. In contrast to Perth, prices were +11.4% dearer in the Kimberley, followed by the Pilbara (+9.0%) and the Gascoyne (+8.3%). The Peel (+1.8%) and the South West (+2.5%) were closest in price to Perth. Bunbury (+0.8%) and Mandurah (+1.6%) were the cheapest towns, where as Derby (+19.8%) and Exmouth (+14.7%) were the dearest (see Map 8).

**Health and Personal Care** prices rose (Annual Comparison) across the State from +1.5% in the South West to +6.5% in the Kimberley. Bunbury, Byford and Geraldton had the smallest price increases (see Map 17). In contrast to Perth many of the regions were cheaper than Perth largely due to the lower cost of hairdressing in the regions. When compared to Perth, Dongara was -3.5% less than Perth, whereas Broome was +5.0% dearer (refer to Map 9).

The **Recreation and Education Group** includes education administration costs, recreation services (video hire), recreation goods (sports equipment, toys, film and processing), newspapers and magazines. Annual Comparison price changes ranged from -3.0% in Peel to +17.3% in the Goldfields. The large price increase in the Goldfields was due to a substantial increase in video hire prices in 2000 (refer to Map 18). In comparison to Perth (see Map 10) the Gascoyne was +15.6% dearer than Perth, where as the Peel was +2.8% dearer than Perth. Kununurra was +19.3% more expensive than Perth in terms of recreation and education commodities, followed by Carnarvon (+16.2%), with Byford the cheapest (-0.2%).