

# 1 INTRODUCTION

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, with a collection of regional and Perth prices, and was subsequently followed by a second collection in 1999. This report presents the outcomes of the third prices collection in November/December 2000.

The project identifies the difference in the price of approximately 500 goods and services (the basket of goods – see Appendix Two) 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 completion of the second prices collection it was possible, to contrast the prices paid for the goods in 1998, with the price paid for the same goods in 1999 (**Annual Comparison or Temporal Index**). The third collection allows the prices to be contrasted between 1999 and 2000 and captures the impact of the Goods and Services Tax, which was introduced in July 2000. The rates for the wholesale sales tax and the the GST are included in the regional and town summary tables in Sections 4 and 5.

The prices for the goods and services are collected from a number of vendors and service providers and averaged for each town and region. These prices are converted to index numbers. The **Location Comparison** (spatial index) uses Perth as a base (100) with all other location based prices expressed as higher (eg 101) or lower (eg 97) than Perth. **The Annual Comparison** (temporal index) uses 1998 data as the base and calculates the 1999 change and the 1999 base to calculate the 2000 change. For simplicity of comparison percentages are used as substitutes for the index numbers.

To address the difference in importance of various goods to consumption eg. some goods are consumed more frequently and are more important than other goods, all items (eg milk, private rents, beer, video hire etc) have weights assigned to them. The more frequently a good is consumed the higher is the weight applied to it. These weights assist in determining the degree that products influence the calculation of the index number (see Appendices One and Three).

The calculated regional price indices are only **indicative of the cost of living** in various locations around Western Australia, because they are based on expenditure patterns common to Perth, as data on expenditure patterns for non-metropolitan regions are not available and because there is a need to use a common data set if prices are to be compared. The expenditure pattern and weights used in this project are derived from the 12<sup>th</sup> series Consumer Price Index (CPI).

Undertaking a price comparison of a substantial basket of goods and comparing prices in 21 regional centres is a complex task, which raised a number of methodological issues. The methods of resolving these issues are detailed in Appendix One - Methodology. This section will answer the more common queries about the approaches taken and about the items included in the basket of goods. It will also provide a summary list of the towns by region and categories of goods and services priced, as well as discuss the use of weights in the calculation of price indices.