



Australian Government



Department of
**Primary Industries and
Regional Development**

GOVERNMENT OF
WESTERN AUSTRALIA

Indian Ocean Territories Price Index 2019



A report provided by the Western Australian Department of Primary Industries and Regional Development, for the Australian Department of Infrastructure, Transport, Regional Development and Communications

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Introduction

The Department of Infrastructure, Transport, Regional Development and Communications has responsibility for the Indian Ocean Territories (IOT), with many services provided by service delivery arrangements with the Western Australian Government. In 2011, the then-Department of Regional Development was approached by the Australian Government to develop and conduct a cost of living index for Christmas and Cocos (Keeling) Islands, known collectively as the IOT. The result of this project was the publication in October 2012 of the first IOT Price Index.

The Australian Government again approached the Department of Primary Industries and Regional Development (DPIRD) in 2018 to conduct a similar exercise. This document summarises this project and details the 2012 and 2019 price gaps.

Christmas Island (CI)

CI is situated in the Indian Ocean, 380km south of Java and 2650km north-west of Perth. Many unique species of plants and animals are found on CI, and two thirds of the island has been declared a national park.

CI covers just 135km² and has a population of 1843. The ethnic composition is approximately 21% Chinese, 12% Australian, 12% Malay, and 11% English. Until 2007, the primary economic activities of the island were phosphate mining and a small tourism industry.

In 2008, the Immigration Detention Centre (IDC) opened on Christmas Island. It had a significant impact on the local economy, and operated for ten years until it ceased operations in October 2018. In 2020, the IDC reopened, and is currently operating.

The Cocos (Keeling) Islands (CKI)

CKI consist of two flat, low-lying coral atolls divided into 27 coral islands with an area of 14.2km². This remote island community is located 985km southeast of CI and 2950km north-west of Perth. The CKI population of approximately 500 people reside on the two main islands, Cocos (Keeling) Islands (CKI – Home Island) and Cocos (Keeling) Islands (CKI – West Island). The two islands are very different demographically, with the 420 CKI – Home Island residents principally speaking Cocos Malay and following the Islamic faith. CKI – West Island is the administrative centre for the Islands and as a result consists predominantly of government officers of ethnic European descent, and has around 100 residents.

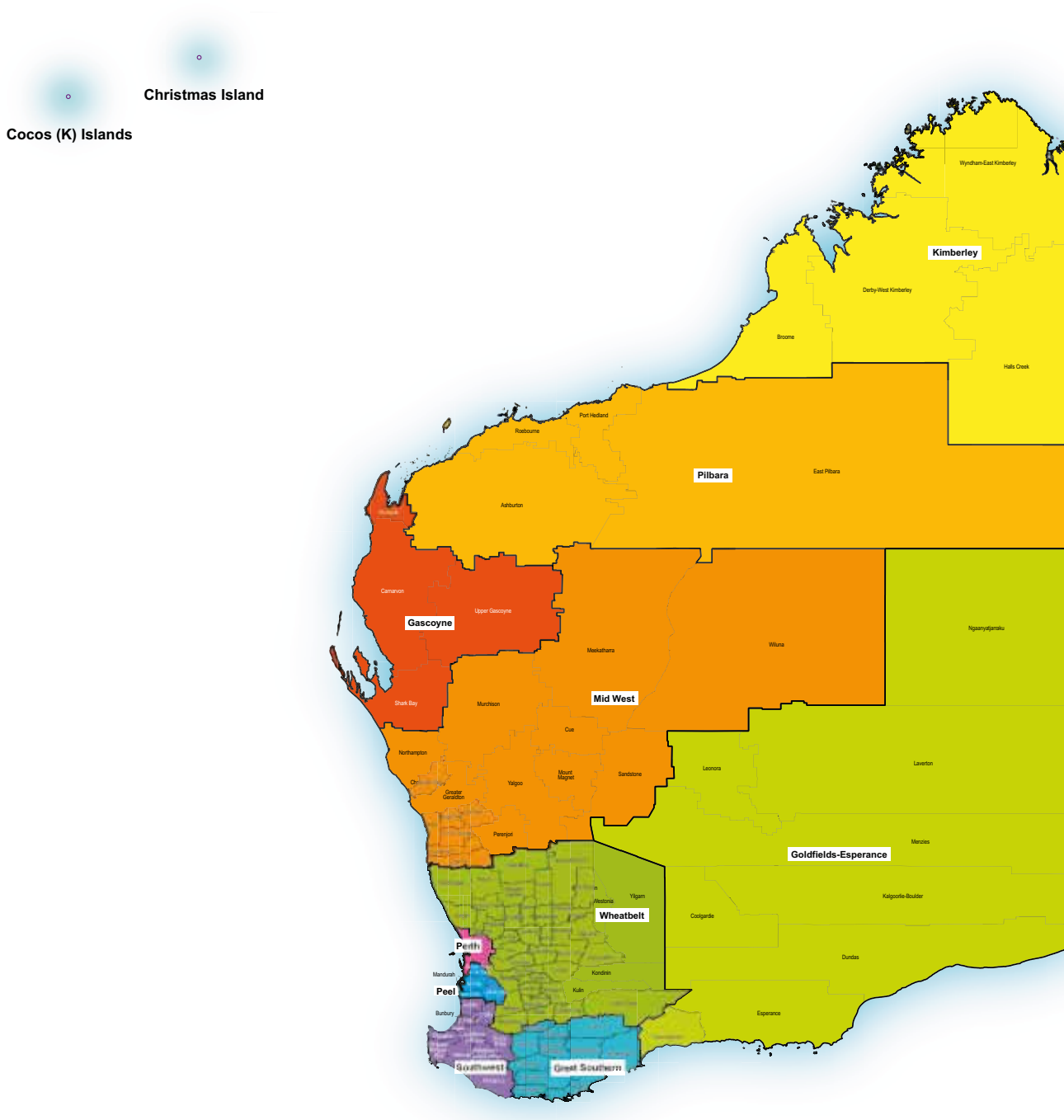
¹Australian Bureau of Statistics, 2016 Census Quickstats, Christmas Island Statistical Area Level 3

IOT Price Index

A price index compares the cost of living between different locations. In this instance, the cost of buying a group of goods and services on IOT Islands has been compared with the price of the same goods and services in the Perth metropolitan area. The Perth index is set at 100, with Island prices above 100 indicating a higher cost than Perth prices, and prices below 100 indicating the items

are cheaper than in Perth. This is a similar methodology to that used in calculating the Western Australian Regional Price Index.

It is important to note that the 2012 and 2019 prices cannot be directly compared. Each index is a point in time comparison, rather than a time series comparison.



IOT Price Index 2019

	CI
2019 CI	121.6
Food	131.8
Cigarettes, alcohol and tobacco	79.0
Clothing	146.1
Housing	91.1
Household equipment and operation	143.8
Health and personal services	109.6
Transportation	144.3
Education and recreation	104.1

	CKI – West Island	CKI – Home Island	CKI Index
2019 CKI	142.7	145.7	145.1
Food	190.5	188.9	189.2
Cigarettes, Alcohol and Tobacco	35.1	25.6	27.4
Clothing	133.3	178.9	170.1
Housing	129.8	117.8	120.1
Household Equipment and Operation	133.7	185.1	175.2
Health and Personal Services	81.5	106.8	101.9
Transportation	99.9	112.1	109.7
Recreation and Education	154.6	127.2	132.5



Basket of goods and services

The basket of goods and services is made up of approximately 250 items from the following eight categories:

Food:

Dairy products; cereal products; meat and seafood; fruit and vegetables; drinks, snacks and confectionary; other foods; and restaurant and takeaway meals.

Cigarettes, tobacco and alcoholic drinks:

Cigarettes and tobacco, beer, wines and spirits.

Clothing:

Men, women and children's basic clothing items such as briefs, T-shirts, socks, jeans, dresses and plain shirts.

Housing:

Mortgage interest rates; local government charges; goods and services for house maintenance and repairs; private rents; utilities expenditure; financial and insurance services.

Household equipment and operations:

Bedding furniture and linen; major household appliances; small electronic appliances; kitchen and household utensils and tools; household cleaning agents; toiletries and personal products; hairdressing services; and postal, telephone and internet services.

Transportation:

Purchase price of an automobile; fuel; tyres; basic maintenance supplies and service costs; personal and vehicle license fees and comprehensive care insurance.

Health and personal care:

Hospital and medical insurance; optical; dental; and pharmaceuticals including prescription and over-the-counter drugs.

Recreation and education:

Books, newspapers and magazines; electronic appliances; sporting equipment, activities and participation; toys, games and hobbies; veterinary services; and DVD hire.

The price comparison process made broad use of the information available via the internet. If a specified item was not available and a different item priced, that exact item was then priced by major supermarkets across the Perth metropolitan area. This means that while the nominal number of goods and services is less compared to the 2012 good and services basket, the actual accuracy of the index is improved as a result of being able to price identical items across the eight categories.



Price collection and community consultation

Prices for the basket of goods and services were collected from retail shops and service in late February and early March 2019. At the same time, DPIRD also conducted the 2019 Regional Price Index (RPI), meaning that the IOT price collections were conducted concurrently with the RPI price collections. Further prices were collected early in 2020, to supplement significant gaps in the initial price collection process.



Commodity weights

Commodity weights were used to reflect the relative importance of each basket item in the average household budget. The decision to purchase an item is dependent on both the price of that item and its importance to the consumer.

For example, fresh food including meat, fruit and vegetables are diet staples that are given a high priority in the family budget regardless

of price. This is reflected in the calculation of the indices by applying a higher weighting for these products.

The weights assist in determining the degree that the individual items in the basket of goods and services influence the calculation of the index, which is based on weightings used by the Australian Bureau of Statistics for its Consumer Price Index.

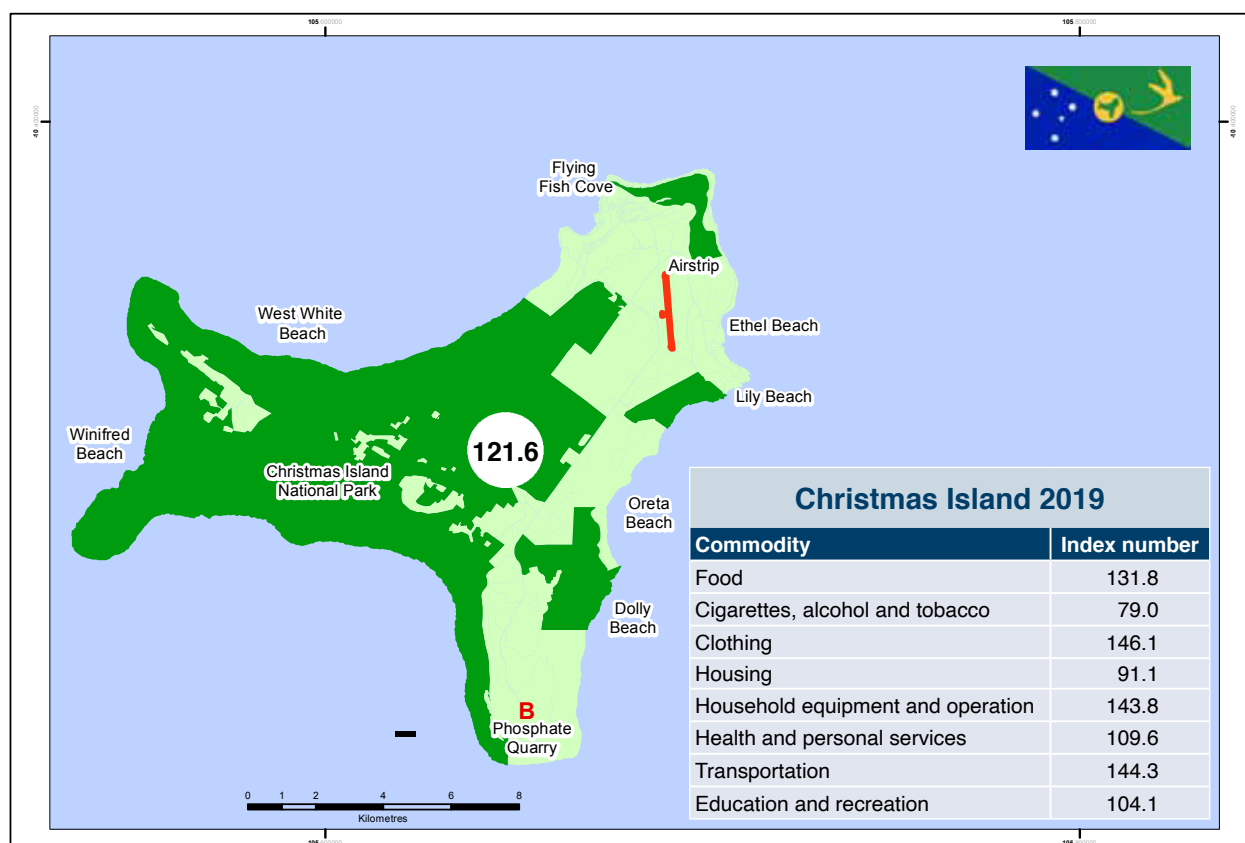
Analysis of index for each Island

CI

The index for CI indicates that the overall cost of purchasing the basket of goods and services in 2019 was 21.6% higher than Perth.

	CI 2012	CI 2019
Overall RPI	148.9	121.6
Food	182.1	131.8
Cigarettes, alcohol and tobacco	61.7	79.0
Clothing	101.7	146.1
Housing	150.2	91.1
Household equipment and operation	144.4	143.8
Health and personal services	100.0	109.6
Transportation	129.3	144.3
Education and recreation	101.2	104.1

Map 1: CI Price Index 2019



CKI – Home Island

The index for CKI – Home Island indicates that the overall cost of purchasing the basket of goods and services in 2019 was 45.7% higher than Perth. It was also higher than the 2012 CKI – Home Island Index, with clothing, housing, household equipment and operation, transportation and education and recreation all showing significant increases relative to Perth prices.

	CKI – Home Island 2012	CKI – Home Island 2019
Overall CKI – Home Island Index	128.3	145.7
Food	183.3	188.9
Cigarettes, alcohol, tobacco	35.8	25.6
Clothing	102.0	178.9
Housing	107.4	117.8
Household equipment and operation	150.6	185.1
Health and personal services	100.5	106.8
Transportation	96.8	112.1
Education and recreation	72.2	127.2

Map 2: CKI – Home Island



CKI – West Island

The index for CKI – West Island indicates that the overall cost of purchasing the basket of goods and services in 2019 was 42.7% higher than Perth. While this is comparable to the 2012 price difference between CKI – West Island and Perth, some categories have become relatively more expensive (food, clothing, and education and recreation) while others have become relatively cheaper compared to Perth prices (cigarettes, alcohol and tobacco, housing, household equipment and operation, health and personal services, and transportation).

	CKI – West Island 2012	CKI – West Island 2019
CKI – West Island Index	144.3	142.7
Food	182.5	190.5
Cigarettes, alcohol, tobacco	85.5	35.1
Clothing	102.0	133.3
Housing	160.7	129.8
Household equipment and operation	150.9	133.7
Health and personal services	100.5	81.5
Transportation	149.3	99.9
Education and recreation	84.7	154.6

Map 3: CKI – West Island



CKI Index

The CKI Index takes the above price differentials from each island and weights them according to population distribution. As CKI – Home Island has the majority of CKI residents (80.7% of the CKI population, compared to CKI – West Island's 19.3%), this means that the CKI – Home Island prices impact the CKI index more heavily.

	CKI 2012	CKI 2019
Overall CKI Index	145.5	145.1
Food	181.5	189.2
Cigarettes, alcohol, tobacco	85.2	27.4
Clothing	102.0	170.1
Housing	147.2	120.1
Household equipment and operation	150.6	175.2
Health and personal services	100.5	101.9
Transportation	148.0	109.7
Education and recreation	84.7	132.5

Map 4: CKI Price Index 2019

