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Indian Ocean Territories Price Index 2019

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Department of
**Primary Industries and
Regional Development**



Australian Government

Indian Ocean Territories Price Index 2019



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

*We're working for
Western Australia.*

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Important disclaimer

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Introduction

The Department of Infrastructure, Transport, Regional Development and Communications has responsibility for the Indian Ocean Territories, 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 Commonwealth government to develop and conduct a cost of living index for Christmas and Cocos (Keeling) Islands, known collectively as the Indian Ocean Territories. The result of this project was the publication in October 2012 of the first Indian Ocean Territories Price Index.

The Commonwealth 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

Christmas Island 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 Christmas Island, and two thirds of the island has been declared a national park.

Christmas Island 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 Christmas Island Immigration Detention Centre (IDC) was opened. The IDC had over 2000 detainees in July 2012 and this facility had a significant impact on the local economy. Closed in October 2018, the Federal government announced its re-opening in February 2019. However apart from one small group, the IDC has not subsequently housed any asylum seekers. The main cost impact of the re-opening of the facility is through the 140 IDC staff, who now live on the island.

Cocos Islands

The Cocos (Keeling) Islands (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 Christmas Island and 2950km north-west of Perth. The CKI population of approximately 500 people reside on the two main islands, Home Island and West Island. The two islands are very different demographically, with the 420 Home Island residents principally speaking Cocos Malay and following the Islamic faith. 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.

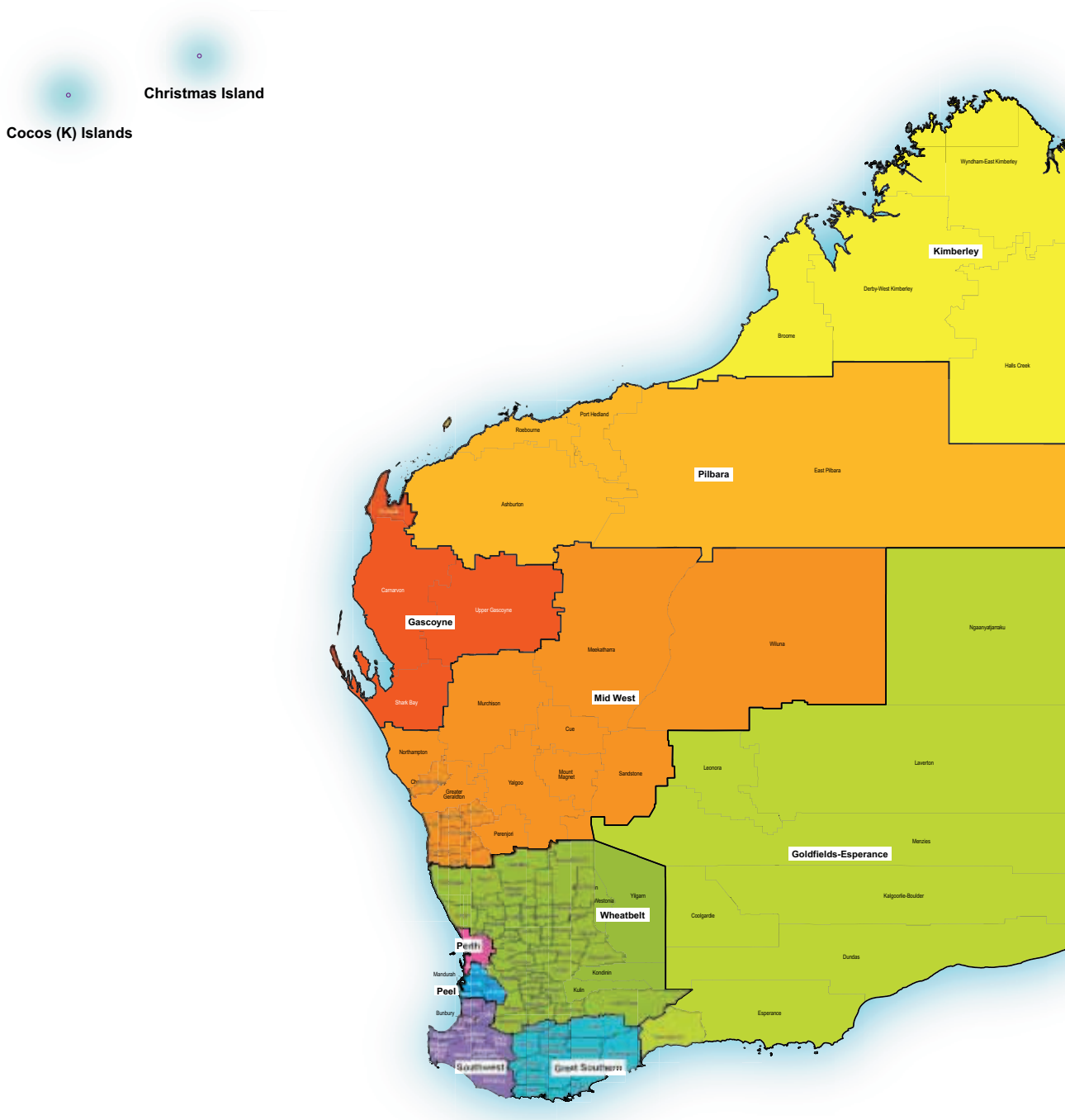
¹Australian Bureau of Statistics, 2016 Census Quickstats, Christmas Island Statistical Area Level 3

Indian Ocean Territories 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 Christmas and Cocos (Keeling) 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.



Indian Ocean Territories Price Index 2019

	Christmas Island
2019 Christmas Island	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

	West Island	Home Island	CKI Index
2019 Cocos Islands	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
Education and recreation	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.

Education and recreation:

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 Christmas and Cocos Island 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.

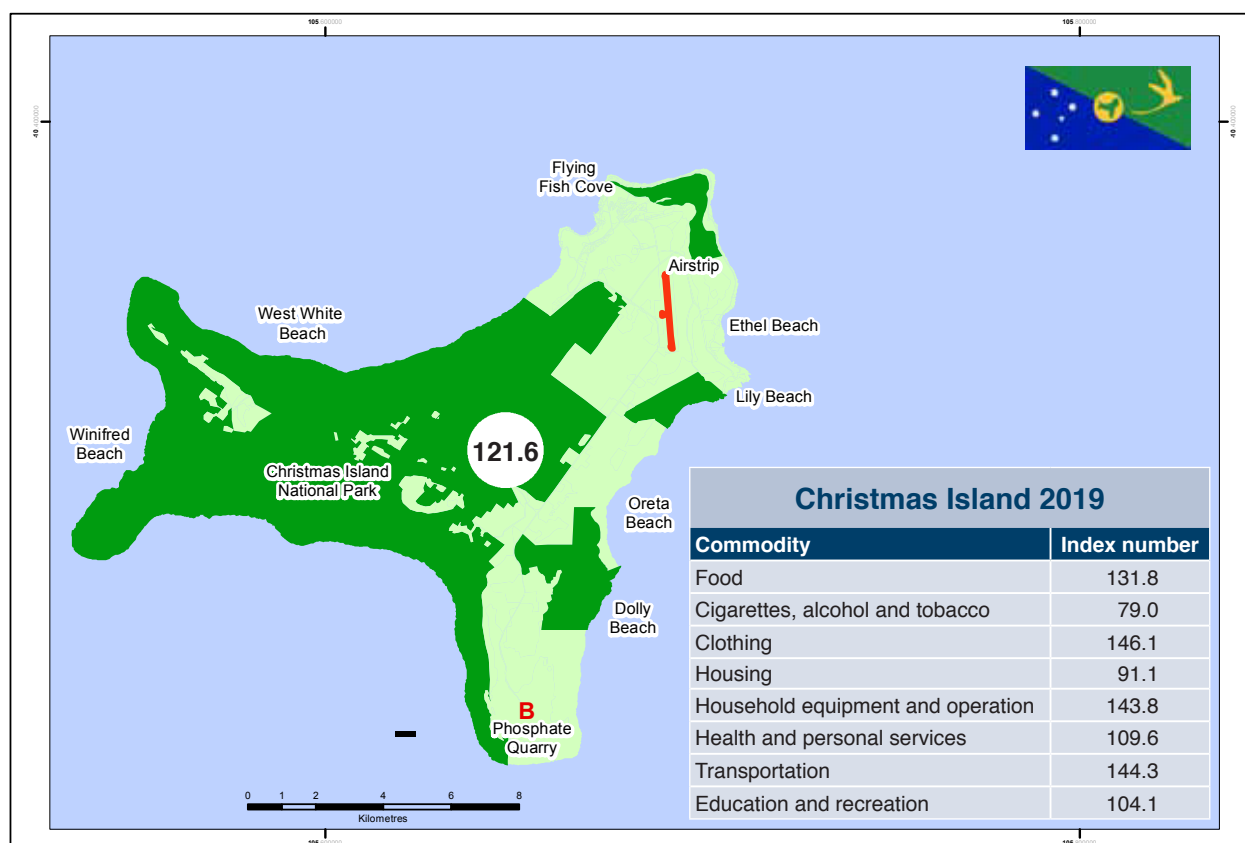
Analysis of index for each Island

Christmas Island

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

	Christmas Island 2012	Christmas Island 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: Christmas Island Price Index 2019



Cocos Island (Home Island)

The index for Cocos Island (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 Home Island Index, with clothing, housing, household equipment and operation, transportation and education and recreation all showing significant increases relative to Perth prices.

	Cocos (Home) Island 2012	Cocos (Home) Island 2019
Overall Cocos (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: Cocos Island (Home Island)



Cocos Island (West Island)

The index for Cocos Island (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 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).

	Cocos (West) Island 2012	Cocos (West) Island 2019
Overall Cocos (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: Cocos Island (West Island)



Cocos (Keeling) Island Index

The Cocos (Keeling) Island Index takes the above price differentials from each island and weights them according to population distribution. As Home Island has the majority of CKI residents (80.7% of the CKI population, compared to West Island's 19.3%), this means that the 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: Cocos (Keeling) Island Price Index 2019

