

SUBMISSION TO CPI REVIEW

I do not believe that the current CPI is a true reflection of cost-of-living increases for all groups in the community. Rather it is some sort of arbitrary average across all demographic groups such as age.

Therefore, it should not be used unfairly to disadvantage (for example) pensioners and older Australians. If there is no universally valid CPI, and I do not believe there is (or perhaps can be), it should be defined relevant to its purpose, and that purpose should be made clear. I would assume this may lead to the need to have relevant indices (not just one) to suit specific purposes, and fairness and transparency should be underlying criteria of each of these indices.

Here are some examples of anomalies:

- When food, petrol and other costs go up but interest rates go down, the CPI may not change. Nevertheless the cost of living for older Australians, most of whom do not have large mortgages, certainly does go up. Why should older Australians be penalized by the behaviors of younger Australian with large mortgages? What percentage of the population do they actually constitute and why should this be allowed to over-influence the CPI used for older Australians?
- If I cannot afford an overseas holiday or a second TV I simply do not buy one. When particular foods such as fish or bananas get expensive causing a spike in the CPI, I do not buy fish or bananas;
- When I receive my annual local council rates notice (and notice a rate rise of 8-10%), I have to pay the bill;
- I also have to pay my water rates, power charges, telephone bills (of particular importance to possibly isolated older Australians) and other government charges like car registration, no matter how big the annual increase is (and it is usually more than CPI, and in recent times has been substantially larger); and
- Rather than be a burden on the community, I choose to pay for private health insurance as I am getting older, and the latest rise is about 8%, much more than CPI.

I ask that you revise the method of calculating CPI so that it is fit for the relevant purpose and is fair and transparent. Importantly, if it is going to be used for pension increase calculations, it should not be a blanket index but should reflect the cost of living for that demographic. It should include in the basket of items used, those big-ticket items like council rates and other utility charges like water rates, and health insurance, which in the main are non-discretionary items of the cost of living.

Yours sincerely

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