

Review of the CPI

06 March 2010

Thank you for the opportunity of providing input into the current Review of the CPI.

In the past the CPI was focussed on a trolley of goods for the average family. Now it appears to have morphed into a mechanism more suited to luxury living rather than basic living.

If the government is fair dinkum about conducting an unbiased review of the CPI it needs to concentrate on the “essential” goods and services rather than “discretionary” goods and services. Examples of “essential” would include staple food and clothing, housing (whether purchase or rental), transport, health, education, etc. Without exception the cost of these items have burgeoned well in excess of the “CPI” in the past decade or so. One specific example is the fact that notwithstanding top private health coverage and health levy, “out of pocket” expenses were nearly \$5,000.00 to cover the cost of a recent operation. This would not have been the case a decade ago.

On the other hand many “discretionary” goods and services have tended to plateau or fall in price in real terms over the same period. Examples include plasma televisions, a plethora of electronic devices, cars, etc. Yet these manufactured imports seem to figure prominently in arguments used to justify such low CPI increases

As a retired person on a pension, I have seen a progressive deterioration in my disposable income. When I retired my pension was approximately 50% of my current income. Today it is approximately 40% of the current salary of my previous position. This to me tells just how much my purchasing power has diminished. It also shows how important it is for the pensions of politicians to continue to be based on the average wage rather than CPI.

The current method of calculating CPI is confusing, the basket and loading factors appears to change periodically and is certainly not transparent.

In summary, I recognise that any changes could have a significant impact on the government budget. However, if nothing else is done, please concentrate of everyday essentials, limit and justify any changes, abolish “loadings” to strategic items in the basket and simplify the basis for calculating CPI.

John Dear